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29 JANUARY 1988



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# ***JPRS Report***

## **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-88-003

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29 JANUARY 1988

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Gosplan Official on New State Production Associations

18200020 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 19 Nov 87 p 2

[Interview with Yu. Naumov, deputy chief of the Improvement of Planning and Economic Stimulation Department of the USSR Gosplan, by SOTSIALISTICHESKAYA INDUSTRIYA correspondent A. Vorobyev: "The GPO's [State Production Associations]: Equal Partners"]

[Text] The Statute on the State Production Association was approved recently by the government. A new type of organization, with a large-scale structure aimed at further concentration of our industry, has emerged. Yu. Naumov, deputy chief of the Improvement of Planning and Economic Stimulation Department of the USSR Gosplan, tells our correspondent A. Vorobyev what kind of GPO's there will be.

[Question] Yuriy Nikolayevich, please tell us the purpose of establishing the new type of associations in industry.

[Answer] The newspaper's readers already are familiar with the restructuring which is under way at the highest level of the country's economic administration. In particular, ministries' main administrations and All-Union industrial associations are being eliminated, the staffing of ministries is being substantially reduced, and their functions are being changed. This restructuring will proceed simultaneously with consolidation of the basic components of industry. The form of the GPO has been established in the Law on Enterprises. Article 5, Paragraph 7, literally reads as follows: "In order to further improve the level of production concentration, enterprises, associations and organizations may become part of large-scale organizational structures—state production associations."

There is a large resource for establishing the GPO's. There are now 4,300 production and scientific-production associations in industry which produce about half the output. And the other half is produced by individual enterprises which are not part of any associations at present.

The statute on the GPO's points out that they are being established to concentrate scientific and technical and production potential, to resolve sectorial, intersectorial and regional tasks more successfully, and to more efficiently utilize the manpower and financial resources of enterprises which are operating under full cost accounting and self-financing. Greater gain may be expected as well in resolving social problems, in protecting the environment, and so forth. In general, their establishment is an objective necessity, a requirement of the time.

They will reflect the trend toward integration of specialized production facilities and types of activity, the effort to overcome intrasectorial limitations, and the vital requirement to carry out the full cycle of creating products independently, from scientific research to sales and service.

[Question] You spoke of overcoming intrasectorial limitations. How do the GPO's contribute to this?

[Answer] The point is that not only enterprises, but the existing scientific-production and production associations as well, may become part of the GPO's. Institutes; tekhnikum; technical and vocational schools; trading, marketing and service enterprises; foreign trade firms; and any other organizations may join this union with equal rights as well. The number of association members has not been limited.

It may be organized on different bases: uniformity of the end product, for plants which turn out bearings, let us say; unity of the industrial process, for the enterprises which turn out nitrogenous fertilizers and the raw material for them, for example; and territorial unity (a GPO is being established in Dzerzhinsk, Gorkiy Oblast, which will include all the city's chemical enterprises). If the partners are subordinate to various ministries, after the association is established they will all be concerned with only one of them. I think this is a very important feature.

[Question] Who is organizing the GPO's and who determines whether they belong to one sector or another?

[Answer] The sectorial GPO's are organized by the ministries themselves, and the intersectorial associations are organized by the permanent organs of the USSR Council of Ministers and the councils of ministers of union republics. The organization process is taking place with most active participation by local party and soviet organs and labor collectives, of course. Enterprises and institutions are being "torn away" from some ministries and transferred to others on the basis of mutual agreement and consent.

[Question] Yuriy Nikolayevich, this thought comes to mind: won't the new GPO's be like the main administrations or VPO's [All-Union production associations] that are "disappearing," which changed their appearance at one time and did not change their substance?

[Answer] They will not, because there is no analogy here. The main administrations are "branches" of the ministries' organization, integral parts of them which perform purely administrative functions. The well-being of a main administration does not depend at all on the results of enterprises' work.



The state production association is not an element of the superstructure, but of the production mechanism itself. The association's small staff (its functions may be performed by employees of the administration of the leading enterprise, if any really exists in the structure) implements the decisions of a council of directors in the periods between sessions of this council. The material well-being of the system depends directly on the cost accounting results achieved by each of the enterprises in it. In other words, it exists at the expense of deductions from profits, the amount of which is established by economic norms.

But the tasks of the state production association are entirely different. It bears full responsibility for the technical level of the enterprises' resources and for the scientific and engineering development of new products. Its principal task is to meet the demands of the national economy and the people for the output (work, services) produced and to provide for the welfare of the labor collectives that are part of it.

[Question] Tell us in more detail how the GPO manages its enterprises.

[Answer] On the basis of socialist self-management and the combination of democratic forms of leadership and one-man management. As already noted, the council of directors is the collective organ of administration. It elects the general director for a 5-year term. He may also be the manager of the leading enterprise. The council convenes at least once every quarter. It places state orders with enterprises on a competitive basis, approves the standards for organizing enterprises' funds, and determines the directions for utilization of its funds. The candidacies of enterprise managers are also coordinated by the council. The board of directors approves the structure and amount of wages and an estimate of overall management cost. It has the right to establish joint enterprises in the GPO system on a contract basis and to submit proposals to a ministry for the reorganization or elimination of unprofitable enterprises. In addition, the council of directors may relieve its general director of his position before the appointed time.

[Question] It appears that enterprises are losing some independence.

[Answer] Not at all! The Law of the USSR on the State Enterprise applies to all components of the state production association. They retain their full cost accounting independence and the rights of a juridical person.

The democratic system of managing the association also helps enterprises to retain independence in the GPO system. A council of labor collective representatives is elected and it convenes at least twice annually. The council of directors is accountable to it. It also evaluates the work of the general management personnel and the general director.

However, the Statute on the General Production Association stresses the personal responsibility of the general director, who possesses the right of one-man management in carrying out the decisions of the council of directors, for the state of affairs in the association. And practice will show how democracy and one-man management will work as one team under cost accounting conditions.

[Question] How will economic levers be utilized by the GPO in managing an enterprise?

[Answer] I have already mentioned in passing the economic standards and assignment of state orders. Let us add limits here. In addition, the enterprises which are part of the GPO assign part of their profit to the general management to form centralized funds and reserves. At the same time, they are relieved of deductions for the ministry fund.

Why are these "payments" necessary? The existence of enterprises which show a poor profit and operate at a loss is not ruled out under the new system of economic operation. Some of them cannot be closed (although this alternative suggests itself as well), inasmuch as they perform important sectorial or even intersectorial tasks. The centralized funds of the GPO, or ministry funds allocated through the GPO, will help these enterprises to stand on their feet.

[Question] A final question: how will production relationships be organized between the ministry and the GPO and between the ministry and the enterprise?

[Answer] The ministry directs the state production association just as it directs the cost accounting production and scientific-production associations and independent enterprises. There are no new management functions and methods here.

Now, concerning the enterprise. The manager will have no need to appeal to the ministry, and ministry personnel will not perceive his needs and concerns. All the problems of labor collectives should be completely resolved at the level of the GPO. But communication will be retained between the sector's headquarters and the enterprises. The problems of predicted development and unified technical policy will be defined and resolved here. Ministries will be able to provide enterprises with scientific, economic and technical data at the world level.

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#### **Round-Table Discussion on Economic Restructuring**

18200011 Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 9, Sep 87 pp 16-31

[Summary of round-table discussion in USSR Gosplan: 'Radical Restructuring of Management of the Economy']

[Text] In July 1987 a round-table discussion devoted to the problems of restructuring the economic mechanism and planning practice in the light of the decisions of the

27th party congress, the June (1987) Plenum of the CPSU Central Committee and the 7th Session of the USSR Supreme Soviet, 11th Convocation, was held in USSR Gosplan at the initiative of its party committee. The participants were O. M. Yun, deputy chief of the department for improvement of planning and economic incentives; Ye. A. Ivanov, deputy chief of the department for summary 5-year and annual planning; A. O. Stepun, deputy chief of the summary department for capital investments; Otar Davidovich Gotsiridze, deputy chief of the summary department for physical balances and distribution plans; V. G. Gribov, chief of the department for finances, production cost, and prices; and S. P. Ivanov, deputy chief of the department for regional planning and location of the productive forces. The meeting was opened by Ye. A. Ivanov.

Ye. A. Ivanov. We have been witnesses of and participants in important changes taking place in management of the economy, including changes in planning. The customary methods of drafting plans, the format of plans, and the vertical forms of relations (between the center and enterprises) and horizontal forms of relations (between enterprises and local bodies of government) have been breaking up, while new forms and methods of planning have been evolving.

During the work on the draft of the 1988 plan many problems had to be dealt with on the run, together with ministries. The new methods and forms of planning need to be studied. Mistakes may have been made.

In order to avoid them we need to center our attention on the task set at the June Plenum of the CPSU Central Committee and Seventh Session of the USSR Supreme Soviet—**combine the interests of every worker and every work collective with the interests of the entire state.** There are various methods for combining interests. Up to now the command-order method has been in effect: everything was prescribed by the center. Up to a point this method was effective. But as the scale of production expanded and economic relations became more complicated, as the labor force became more skilled and every worker became more aware of himself as an individual, and as the role and importance of the work collective became stronger, that method ceased to be effective. The interests of every worker and of every work collective proved to be far stronger than the strict order from above.

**The principal objective of forming the new management system is to find other methods of combining interests.** What are these methods? So far we know of only two: first, the one we have had in effect—the direct assignment, the binding instruction. And the second when it would seem no one is forcing anyone, but economic relations dictate the character of everyone's actions.

What is happening now is a step toward strengthening commodity-money relations. This is not, of course, a question of renouncing the gains and advantages of

central planning. The question is posed dialectically: a strengthening both of commodity-money relations and of central planning. There lies the difficulty, but that is also where the innovative approach is to be found. **Those methods which are now being implemented have been aimed precisely at freeing the center of superfluous effort as commodity-money relations develop, thereby affording it the opportunity to display and realize to the fullest the main advantage of socialism—centralized guidance of the economy.**

The round-table discussion is devoted to an examination of this set of problems. O. M. Yun will tell about the changes taking place in the economic mechanism at the level of the basic production unit.

O. M. Yun. One of the basic deficiencies of our economic development in the previous period was that although plans were mainly fulfilled, still the specific thing that was needed was quite often not produced or not at the time when it was needed. Economic ties and balance were upset as a consequence. This led to a drop in growth rates, a buildup of inventories and other evils. The cause of this kind of situation lay in the fact that the system of management had come to contradict the level of development of the productive forces.

During the period that the system of management which is to be replaced was taking shape the task was to achieve an extremely rapid retooling of the economy and to make the transition from manual technology and manual labor to machine technology and machine labor. That meant creating new sectors and branches, building new enterprises, above all in metallurgy and machinebuilding. That made it necessary to build up resources and centralize the management of their production and distribution. The low skill of personnel also called for the same thing.

In the thirties and forties there were very few specialists with higher education. A sizable portion of them was concentrated in bodies of management where the objectives, proportions in development, and commitments of resources were defined. Authority based on knowledge predominated in the bodies at the higher level. That is why the subjective factor also intensified the principle of centralism in management.

Now the situation is fundamentally different. All production is operating on a machine basis. Manual labor, although there is a rather substantial amount of it in terms of percentage, is not playing the decisive role in production. The outstanding task is to retool machine production. This can be achieved only on the basis of application of improved machines built at a high scientific-technical level. It is a question of intensification of production. Worker skills have also risen.

Now 90 percent of the work force in the national economy has secondary and higher education, and one out of every eight has higher education (moreover, five

out of every six specialists with higher education are working in the basic production unit). That is why management of enterprises in the old way also signifies underutilization of the intellectual potential.

The optimum combination has to be found between centralism and independence. Enterprises obviously cannot be granted full independence (that would mean a resurgence of the anarchic principle). Central authorities must concentrate their efforts on working out the prospects for development of the country as a whole, on formulating objectives, and on linkage of junctions between individual branches and enterprises, i.e., on guidance of the proportions in development and scientific-technical progress. All the rest must be dealt with by the enterprises themselves. Full cost accounting (khozraschet), self-financing, and self-management of work collectives need to be developed for that purpose.

Self-financing presupposes that on the basis of economic standards enterprises will earn everything they need for their scientific-technical development, development of their production, and social development. These standards are centrally set. Thus the proportions for distribution of cost-accounting income (or profit) into the portion to be accumulated and the portion for consumption would be defined centrally in the plan so that current needs would not smother the needs of the future and so that work collectives would not 'eat up' the potential for accelerated development in all directions in the future.

The standard is related to the economic interest. The standard takes the form of a proportion, and by contrast with traditional indicators it links the end result to those resources which are at the disposition of enterprises. It is to be stable over the 5-year period.

With introduction of the state order which is to be filled in place of physical targets, there is a change in the form of relations between centralized superior bodies for management and subordinate enterprises. The state order must be profitable for the enterprise. Profitability is manifested above all in the guaranteed load on capacity and guaranteed sale of the product, as well as in the furnishing of resources. It would seem that this should take the form of a contract concluded between the superior body and the enterprise. This makes the body for management a partner of the enterprise in joint achievement of the most important objectives of the state.

Cost accounting goes beyond self-financing. If full cost accounting is to be achieved, there must be precise measurement of both inputs and results. In general the entire set of economic relations is always related to a comparison of costs. Moreover, the collective's own work contribution to the end result has to be identified. That necessitates linking prices to those proportions in the plan which are shaped for the 5-year period and which determine the socially necessary conditions for reproduction: the volume and composition of needs and

the normal level of the capital-labor ratio and work skills. It is also necessary to improve the finance-and-credit system, which by means of charges on resources separates the collective's own work contribution from those natural and social conditions in which the enterprise has been operating and which create more or less favorable circumstances for obtaining a high end result.

At the same time, cost accounting is also directly related to the other elements of the economic mechanism. In the past, financial resources were centrally allocated to enterprises. Consequently, the logic was of distribution of physical resources through stocks specifically assigned to recipients. Everything was balanced in both physical and value terms. In the new system the plan can only indicate with greater or lesser reliability the resources which enterprises will have. That is why the requirement of developing wholesale trade so that the enterprise's money resources can be materialized is a logical extension of this process.

The transition to self-financing and full cost accounting is directly bound up with self-management. At present all resources have been allocated to the enterprise from above through the plan, and, of course, the management was also appointed from above and reported to that same body which had allocated the resources: to certain bodies concerning capital investments and to others concerning physical resources. In the context of self-financing enterprise management is required to report on efficiency of resource utilization to those who create those resources—the work collectives. Self-management of work collectives and the election of managers at all levels are the logical culmination of this process.

The democratization of management and close monitoring of the efficiency of the organization of production and the organization of work from below are the highest guarantee of the success of the new strategy. Democratization will strike deep if it is bound up not only with elections, but also with the introduction of cost accounting within the production unit, if it is brought to every work unit and every worker (everyone must understand his place and his role in the entire system of economic activity and must evaluate his own contribution to the total result). Only in this case is accelerated development possible. The data of enterprise surveys show an altogether direct correlation between these processes. Wherever cost accounting and self-management have developed deeply, the economic results have been high.

The transition of enterprises to full cost accounting, self financing, and self-management inevitably necessitates the restructuring of the entire apparatus of the superstructure as well. Since the economic standards must be long-term and stable (otherwise there will no longer be a motivation for vigorous application of the advances of science and technology), the 5-year plan has to effectively become the principal form of planning. In the new economic system annual plans no longer have their



leading role. The stability of the standards is the paramount condition for work collectives to have confidence in the economic mechanism and in its effectiveness.

The relationships of enterprises with bodies of management at the level of the branch and sector are undergoing change under the new conditions. Ministries are now prohibited from intervening in the operational activity of enterprises, but at present this intervention is continuing (enterprises have been complaining up to now that the command style of management still prevails in ministries as it did in the past). They must concentrate their efforts on those problems which enterprises cannot solve: defining the prospects for the branch's development, the needs of the national economy for its products, the appropriate physical support for that optimum relationship of centralized and noncentralized investments with the size and purposes of capital construction. Another task of ministries is to give enterprises vigorous assistance in obtaining information about scientific advances and in accelerating their production and application.

An important aspect of restructuring is the creation of organizational conditions for the integration of science and production. To that end, institutes and design offices are included among components of enterprises, and a network of scientific-production associations is being organized. NPO's and scientific organizations are also being converted to full cost accounting and self-financing.

Ye.A. Ivanov. The basic principles of the radical restructuring of management of the economy adopted by the June Plenum of the CPSU Central Committee established a straightforward system for drafting multiannual plans. First USSR Gosplan, with the help of the USSR GKNT and the USSR Academy of Sciences, prepares the conception of the country's economic and social development over the 15-year period, which serves as the initial platform of economic policy for development of the national economy. This document is submitted for approval 2 years in advance of commencement of work to plan the next 5-year planning period. One important feature is that several different versions of the conception will be submitted for consideration to the USSR Council of Ministers and the party's Central Committee, from which they will be able to select the optimum one.

The Basic Directions of the country's economic and social development over the 15-year period are drafted on the basis of the conception; they embody the party's economic policy in terms of specific targets. This document is prepared 1.5 years in advance of the new 5-year period; it will be developed in greater detail by 5-year periods, and will contain specifically assigned targets for the first 5-year period.

Gosplan is being sufficient time to work out the most important proportions thoroughly. This makes it possible to prepare scientifically sound proposals for economic development which would effectively take our country to advanced positions in the future.

And finally—the 5-year plan, which must be drafted 5 months before the new 5-year planning period begins. A particular feature of this stage of planning is that enterprises will independently compile their own 5-year plan. USSR Gosplan, as in the past, will set the basic proportions (this will now be done in more detail). But the transition from command-directive methods to economic methods requires that the state plan be so structured that there will be confidence under these conditions that every enterprise and every work collective will compile its plans and will operate so as to give priority consideration to the interests of the entire state and those proportions which have been worked out by Gosplan. In addition, enterprises need to be granted more independence in going onto the socialist market.

A different system of initial planning data which enterprises will take as the basis for working out their own plan has been established so as to solve these problems. First, these are the reference figures. Now they will not be directive in nature and are thereby transformed from an instrument for administrative pressure on enterprises from the center into an instrument for really helping them. By means of the reference figures enterprises are supplied information on the optimum patterns of operation. If enterprises operate within the limits of the reference figures, then they can be confident of having a good economic position. This is an extremely important point. It is here, in the status of the reference figures, that the transition from command-directive methods to economic methods is now manifested most fully.

The state order to be filled becomes the second element of the initial data for planning. What is this? This is a binding assignment for delivery of the most important products. On the basis of the proportions fixed in the Conception and in the Basic Directions, those products are identified which determine achievement of the projected structural policy. And the state order to be filled is issued for those products and for activation of those capacities from centralized capital investments by USSR Gosplan. It is mandatory that this order be included in the plans of enterprises. But the list of products in the state order is very limited.

Here we come to an important point which we spoke about above. The state order creates the conditions for partnership of the center and enterprises on an equal footing. The Law on the Enterprise has stated that the state order must be included in the plan, but it may also be placed on a contractual and competitive basis, i.e., it may envisage economic benefits and privileges which, put simply, compel enterprises to go after the state order. But little work has been done on this question so far. The law states that state orders 'may' be placed on a competitive basis, but the extent and proportion to which they will be placed in this way still have to be worked out. This is a very important and fundamental question, because the remaining share of binding assignments in

the plan depends on this. The general line is that in future the size of the order will be decreasing, while the portion of it placed on a competitive basis will increase.

The third element are the **standard economic rates** by means of which the cost-accounting income of enterprises is formed and distributed. They are set on the basis of proportions established in the Conception and in the Basic Directions so as to take into account the peculiar features of sectors and branches (differentiated). Standard wage funds are also established on the basis of proportions in consumption. Thus, **national economic proportions, transformed into the standard economic rates, guide the activity of enterprises to a considerable degree, but no longer by the method of binding assignments, but relying on the levers of commodity-money relations.** So, a most important feature of the integral system of management—optimum combination of centralized planning and the socialist market—is vividly manifested when both of these aspects of the economic mechanism are strengthened.

And the last element are the **assigned resource limits.** These are the maximum levels of inputs of the resources of the national economy. An enterprise may independently draw up a plan on the basis of contracts, but within the framework of the guaranteed limits of basic physical resources. This in broad outline is the system of multiannual plans.

There is yet another important point to take note of. The documents of the June Plenum state that since enterprises themselves will now be drafting plans, it is deemed advisable to give up establishing the annual plan as an independent planning form. That is why some economists have expressed the opinion that now USSR Gosplan will be relieved of a great deal of work (it has supposedly spent two-thirds of its time on annual plans). Of course, this is true to a certain extent. But at the same time, USSR Gosplan will be working out annual physical balances, distribution plans, and plans of contract work for the centrally distributed resources. And when balances are worked out, that means that questions of production are also dealt with. Since the state budget will also be compiled, this means that all the value indicators will also be worked up.

To a certain degree, it would seem, operating procedure is also retained. Enterprises submit to ministries their proposals for detailed adjustment of the targets of the 5-year plan for the given year. Ministries join them in working on the problems of material and technical supply and so on. The ministries then go on to summarize all the proposals of enterprises and they submit them to USSR Gosplan, which together with the ministries continues the work of revising the targets of the 5-year plan and then it reports them to the government. I have gotten the impression in this connection that the amount of work to revise the annual plan will still be considerable. After all, USSR Gosplan will have to balance economic development in the coming year, and that

necessitates an analysis of the situation that has come about as well as a search for solutions to the new problems that are cropping up.

**We should note that there is an abrupt increase in the role of all value balances because it is they who determine the standard economic rates—the levers by means of which economic development will be regulated and guided. The working out of the standard economic rates, it seems to me, is the most difficult problem as to method.**

A serious problem arises also in connection with implementing investment policy. We will look at it from the standpoint of the entire economy. The viability of any economy depends basically on its ability to change the structure of social production in a progressive direction. Insofar as an economy can rapidly change its structure in response to scientific-technical progress, whose rates are accelerating (the speed with which it adapts to the new conditions and reacts to the advances of science and technology), to that extent the economy will prove capable of solving its problems and performing its tasks.

In any society capital investments are the principal lever for implementing structural policy. If a particular branch or sector is to develop more rapidly, then independently of the side of accumulation that might be built up within it, capital must be committed to it (investments). Of course, the same must be taken away (transferred) from the accumulation of sectors and branches which have lower priority. This in shorthand is the rationale of investment policy.

How was investment policy pursued previously? Practically the entire volume of capital investments, i.e., the entire accumulation created at enterprises was built up at the center, in the hands of the state, and then in the form of capital investments they were distributed among branches and sectors regardless of where they were created, was distributed within USSR Gosplan. At the present time a sizable portion of capital investments is being turned over to enterprises, and no one will have the right to redistribute them. But these capital investments preserve the existing structure of social production—we can assume that this is on a new technical basis, we can assume that the product will be of higher quality, but it will be within the same branch or sector where the accumulation was achieved. After all, while enterprises have been granted the right to dispose of their own resources independently, they still have not been granted the right to invest those resources in enterprises of altogether different sectors and branches. That kind of transfer of resources is precluded.

Which means that in order to conduct structural policy the state must have in its hands some kind of 'controlling block of stock' of capital investments. This, it seems to me, is a very complicated question of methods. It is more



or less clear how it has been solved in the 1988 plan. It is not clear how this question will be dealt with in the future. But A. O. Stepun will perhaps tell us about all this.

A. O. Stepun. In recent years priority in capital construction has gone to sectors and branches that determine technical progress and guarantee fulfillment of the Food Program and Energy Program and the output of consumer goods. Particular attention has been paid to the sphere of social welfare. For instance, USSR Gosplan has been set the following tasks: **interleave the immense group of problems in the area of developing the social sphere with fulfillment of production targets; define priorities correctly; and find effective means and resources of rapidly solving social problems.** The resources of enterprises are attracted to perform those tasks both directly through funds for social welfare and cultural programs and also through the deduction of a portion of the resources of the production development fund (without detriment to the building of capacities and development of the respective types of production operations).

The new system of multiannual planning which has already been spoken of has particular importance to capital construction. Of course, a great deal of thought still needs to be given to how the plans of capital investments will be shaped in the various stages. But one thing is clear: the old practice in which in every stage of planning everything mainly came down to dividing up capital investments will have to be given up. This diverted the minds and energies of personnel of USSR Gosplan and of ministries (involved in 'shaking down' capital investments) to the detriment of conceptualization of the economic efficiency of those investments and the search for more optimum ways of solving the problems in development of the economy in general and of its individual sectors and branches.

In the stage of the conception, I would propose, only the general outlines of the resources of the state for investments should be determined, without dividing them up among complexes and branches. In the Basic Directions it would be necessary to establish the capital investments, at least for development of complexes and perhaps even branches, regardless of the forms which economic activity will take in one or the other of them. In this stage it would not be advisable to divide capital investments into those appropriated from the budget and those that will be financed from the resources of enterprises.

That division must be made in the 5-year plan. Using the long-term standard rates and reference figures, the enterprises must determine the possible proportions of capital investments which will be accomplished out of their own resources. These proposals reach USSR Gosplan the ministry. The scale of investments to be financed out of the budget is calculated in view of those proposals and also on the basis of the interests of the state (to a certain degree they will be given by the maximum limits of

capital investments which the state can commit to the development of a particular branch or sector). Thus the by no means simple problem of combining the interests of the state (the nation as a whole) and enterprises is solved. These and other capital investments must be clearly balanced and linked with all physical resources—equipment, supplies, capacity of construction organizations, i.e., with the state's capabilities for carrying out the capital construction program. Finally, financial capabilities must also be taken into account. After all, a certain portion of the resources which enterprises have earned in the form of profit, which is deductible into the budget, also have to be committed to the financing of centralized state capital investments.

It is obvious that great difficulties will have to be encountered (and this applies above all to USSR Gosplan) in setting the standard rates for building funds (the production development fund, the fund for science and technology, and the fund of social welfare and cultural programs) in the 13th FYP. Mistakes and any loose stitches left here will (if they are allowed) specifically cause a serious discrepancy between the resources in the hands of enterprises and capabilities for carrying out the capital construction program. As work is now being done on the standard rates for the group of ministries which will make the conversion to full cost accounting in 1988-1989 it is still possible to look to the size of capital investments, to their reproductive structure and the technological structure laid down in the 5-year plan (in essence the standard rates are to some degree derived from that program). In the work on the next 5-year plan we will have full freedom of action on the one hand and on the other we will be obliged in working out the standard rates to hit the mark without having a detailed 5-year plan any longer. The standard rates, if correctly calculated, will perform a large role in the investment policy, in possibilities for financing capital construction, and in balancing capital construction against physical resources.

It seems to me that in this respect all things are not clear by any means: What approaches must be laid down as the basis for working out the standard rates? How is this job to be approached? Through what economic indicators?

A question that is not groundless arises: What 'stock' must the state have in the development of the branch and the enterprise, i.e., what must the relationship be between state centralized investments and the investments of enterprises? During the work on the standard rates for enterprises making the transition to self-financing during the current 5-year planning period, there have been quite a few opinions on this point. One of them was that this ratio should be 50-50 or something close to it, this being thought to be the optimum which would determine the capability of managing the branch or sector from the center. Experience has shown that it would not be suitable here to adopt a single marker that would apply everywhere. If for no other reason because

by turning over to enterprises the tasks of retrofitting and reconstruction, and in a number of cases expansion as well, we thereby are already determining the proportion that would be specifically taken into account for each branch or sector. No barriers of this kind should be set up here. The state must be left control over the largest projects (new construction projects and large-scale expansion and reconstruction). It is at those construction sites as a rule that the capacities are concentrated which are of primary interest to the state and are included in the state order.

Note has to be taken that the state order for capital construction is drawn up in the form of targets for activation of capacities in a definite and rather restricted products list, but one which represents the most important positions for economic development as a whole.

The state order will in particular include targets for creating capacities in the system of intersector scientific-technical complexes and for pilot and experimental facilities of scientific organizations and enterprises. It will also include assignments related to the comprehensive program for scientific-technical progress of the CEMA member countries. Here the products list will be somewhat different.

As for the conditions under which enterprises will operate and the legal possibilities they will have with respect to carrying out the capital construction program, they have been given in essence in the materials of the June (1987) Plenum of the CPSU Central Committee, the Law on the Enterprise, and a number of other documents.

For the present USSR Gosplan has been left only oversight over the technical-and-economic substantiations (feasibility studies) for large (with an estimated cost equal to or greater than 50 million rubles) and composite enterprises and construction projects. For the rest, enterprises (in certain cases under the oversight of the ministry) are granted full rights to issue orders for project planning, development, and approval of title lists of construction projects. The financing of capital construction to be carried out by means of resources of enterprises through the banks has been greatly simplified.

Thus here, in my opinion, the rights of enterprises have not been violated. But in connection with the promulgation of the Law on the Enterprise there will have to be a substantial reassessment of all instructions as to methods in the field of capital construction (and most likely in other sectors as well). This will be a general endeavor of all the subdivisions of USSR Gosplan. Once a detailed study has been made of each article of the law and all the interrelationships evaluated in the letter and spirit of the Law and other documents, new documents on methods and legal aspects will be published to regulate the activity of enterprises under these conditions.

Ye. A. Ivanov. It seems to me that all these new methods concerning expansion of independence and strengthening the rights of enterprises, full cost accounting and self-financing, which will now be implemented, are ultimately realized to a considerable extent in the sphere of distribution, in exchange. Enterprises for selling products manufactured over and above the state order must go onto the socialist market. There they will in part acquire supplies and equipment for themselves. O.D. Gotsiridze will tell about the change in relationship between centralized supply and the wholesale market.

O. D. Gotsiridze. Much attention was paid at the June Plenum of the CPSU Central Committee to the questions of restructuring material and technical supply, proper distribution, and optimum and effective utilization of the immense resources which the country possesses. The main direction was seen to be broadening wholesale trade in products for production and technical purposes, combined with centralized distribution of certain of the most important products that determine the rates and proportions of economic development.

I would like to take exception to the opinion that is current to the effect that centralized distribution of physical resources is the same thing as the card system. The latter envisages restriction of resources for a particular consumer, whereas by means of the former they are committed to the most important sections of social production. These are altogether different concepts. That is why the Law on the State Enterprise (Association) defined wholesale trade in the means of production, combined with centralized allocation of certain physical resources on the basis of maximum allowances or limits, as the basic directions for improvement of material and technical supply. In the plan for 1987 USSR Gosplan distributed 2,117 different products. In April a joint decree was adopted by the USSR Gosplan and USSR Gossnab in which USSR Gosplan retained only 946 items. After the final revision of the composition of the state order, its number will be substantially reduced as well. It will probably be within the range of 400 items, mainly raw materials and supplies.

Question. And in the case of USSR Gossnab and ministries?

[Answer] With respect to USSR Gossnab and ministries, they also are reassessing their list with a view to reduction, centralized distribution. Direct long-term economic relations between consumer enterprises and suppliers will experience further development.

Both wholesale trade and delivery of products for which centralized distribution has been retained will be founded as a rule on direct and immediate relations. These relations must be long-term and strong. The consumer must know his supplier and his capabilities (not only with respect to the volume of production, but

also processing capabilities), and the supplier must know the needs of the consumer (including those which have to do with the technical characteristics of the product).

In the current year, according to data of USSR Gosnab, wholesale trade through its components will handle product deliveries worth a total of approximately 10 billion rubles. There have been proposals for all machinebuilding ministries to make the transition to this system of supply even in the period 1988-1989, but at present they have decided to acquire experience and only one all-union ministry—USSR Minstroydormash—made the transition at the beginning of 1987. But that effort should not be dragged out. The task has been set for the period 1988-1992 to mainly make the transition to supply through wholesale trade of all branches and sectors in which that supply procedure would be worthwhile.

Question. Otar Davidovich, is it true that approximately 80 percent of the turnover of USSR Gosnab will go through wholesale trade and direct relations?

[Answer] In the coming year the volume of sales through wholesale trade will increase 3-3.5-fold, and in 1992 it will reach approximately 225 billion rubles, which exceeds 70 percent of the total volume of deliveries in 1986. We should stress in this connection that we are talking about organizing wholesale trade in means of production in the true sense of the word. The consumer must have the right to apply for what he needs on the basis of the plans he himself has drafted and in the context of the state order and to obtain them without stocks and job orders through the nationwide system of material and technical supply, that is, USSR Gosnab.

In addition to USSR Minstroydormash, construction ministries of ArSSR and ESSR and also scientific research and certain other departments and organizations have been converted to the new conditions in 1987. The proposal for next year calls for converting to this system of supply the construction ministries of another five republics as well as construction organizations of USSR Minyugstroy for the Northern Caucasus and the entire ESSR economy. All of that will add another 30-35 billion rubles.

But there are still a great many unsolved problems in this effort. To be specific, how are needs to be determined (at all levels)? In the years of centralized distribution of the overwhelming majority of products a certain psychological stereotype was shaped as to determining them. They know everywhere that the amount requested will be cut in half. Moreover, you will not get all of even those stocks that have been included in the plan in view of the unreliability of supply. That is why the declared need is hiked up considerably, thereby creating a certain artificial shortage. In the course of a survey NIIMS [Scientific Research Institute of the Economics and Organization of Material and Technical Supply] of USSR Gosnab discovered the following: in many cases the real need that

was originally ascertained was hiked up approximately 45-50 percent, the funds allocated exceeded the need by 20-25 percent, and resources actually delivered in some places amounted to 15-17 percent more than was required. Which is why sizable stocks of finished goods and supplies accumulate at enterprises. The country has immense resources, and we would hardly have such great difficulties in balancing plans if resources were distributed according to needs realistically and objectively ascertained.

It is time to draft and implement measures which will boost the confidence of organizations, enterprises, and construction sites in the objective approach to determining their needs so that they are confident that they will receive exactly that amount of resources required for operation within standard allowances. Then many difficulties in solving the problems of material and technical supply will be overcome.

Unfortunately, in the initial stage of the transition to wholesale trade the declarations were quite often unreliable. Increasing the reliability of supply must help to overcome this stereotype. Here is how things are organized at present: USSR Gosnab studies, summarizes, and submits to USSR Gosplan the need for resources to organize wholesale trade. The latter allocates it the resources in question as a separate line item. Later USSR Gosnab must organize supply regardless of allocated stocks with the exception of certain particularly scarce products on a rather restricted list. The 1st year of operation showed that the declarations of USSR Gosnab sometimes considerably exceed the needs. For instance, last year USSR Minstroydormash ended up with a surplus of 17,000 tons of rolled products according to the results of a census (the situation was similar in previous years), but USSR Gosnab was supposed to increase deliveries of rolled products for this ministry by more than 40,000 tons.

Conversion of enterprises to self-financing and full cost accounting is called upon to play an important role. In my opinion it will serve as the instrument, economic lever, which will compel enterprises not to ask for more than they need, not to tie up resources, so that they thereby detract from the indicators of their financial and economic performance, so that they do not deprive themselves of additional profit and incentive funds. If this mechanism works effectively, applications for resources will drop off considerably and will come closer to real need.

There is another important problem we would like to call attention to—optimum utilization of supply inventories. In his speech at the plenum M.S. Gorbachev noted that stocks of rolled products in the economy exceed 9 million tons, while the calculated allowance is slightly more than 7 million tons. How are these surpluses to be drawn into economic circulation? One way is to improve the organization of supply, to guarantee all downward-transit deliveries through the depots and warehouses of



USSR Gosnab, the create maneuverable stocks covering all needs at that level, and to reduce inventories held by consumers. But at present everything is being done just the reverse—the allowed inventories held by consumers are being increased.

An experiment has been proposed to overcome this situation—in 1988 the ESSR economy would as a whole be converted to supply of physical resources through wholesale trade. A difficulty is seen in supplying enterprises under Union jurisdiction which are located in the republic. In our view USSR Gosplan must allocate resources to the Union ministry as a whole, and it would in turn pass on the corresponding portion of them to USSR Gosnab.

Question. Are we to understand that the regional agency of USSR Gosnab will now become the same kind of cost-accounting trading partner of any enterprise that any other enterprise would be? Does that mean that the financial condition and wage fund of the regional agency of USSR Gosnab will depend on how well it satisfies the needs of the enterprise? Will it now find itself as an entity that must gain satisfaction in rendering its services?

[Answer] The enterprise enters into cost accounting relations not only with another enterprise, but also with regional components of USSR Gosnab, because in principle the entire downward-transit volume of deliveries must go through the depots and warehouses of the latter. The regional component figures as the entity that does all of the ordering, it ships the products to its depots and warehouses, and it supplies consumers. On this basis the regional components of USSR Gosnab do enter into contractual relations with consumers and do bear financial liability for guaranteeing delivery of products to them.

Ye. A. Ivanov. V.G. Gribov will tell about changes in the price and credit mechanisms.

V. G. Gribov. The pricing system and the finance-and-credit mechanism were subjected to justified criticism at the 27th CPSU Congress and June Plenum of the CPSU Central Committee, and the task of their radical improvement was set.

When we speak about prices, we need to bear in mind that it is a question of constructing a price system with which we would enter the year 2000. Over that period it would no longer be necessary to make any sort of intermediate or additional price revisions on a large scale. Prices of certain products would, of course, be reviewed and revised to some extent.

What is the most important thing in this effort? It is above all necessary to guarantee that prices consistently reflect the socially necessary costs in the light of the prospects for development of sectors and branches, the growth rates of labor productivity, and reduction of production costs in the coming period. The performance

characteristics of products and also the costs of reproduction of labor resources and natural resources (the problem with them is particularly acute at present) should be more fully taken into account. It is important to enhance the role of prices as an incentive for accelerating scientific-technical progress and reducing the material intensiveness and energy intensiveness of production. There has to be a radical improvement in price relations between products of extractive branches and those of manufacturing branches and in interchangeable fuels, structural materials, and other supplies.

Thus the task has been set of creating a qualitatively new system of prices and rate schedules that would be based on cost-fighting principles and would guarantee that prices exert a vigorous impact toward raising the efficiency of social production as a whole. This problem cannot be solved with partial changes; a radical reassessment of the entire price system is needed. USSR Goskomsen, USSR Gosplan, and USSR Minfin are now drafting relevant proposals for submittal to the government.

Changes in the system of wholesale prices will affect practically all sectors of the economy. The prices of the products of the fuel and energy complex will be the basis of these changes. Coal is primary here. At the present time this industry is being subsidized. New prices must be raised substantially to guarantee its stable operation at a profit (at a level of 14-16 percent), even taking into account the prospects for reduction of production cost, which are not bright.

This immediately imposes a change of prices of other products. At the same time, in spite of the higher prices of metal, electric power, and fuel, the task has been set of maximum maintenance of the present level of prices in machinebuilding as a whole. This is to be done by fuller appreciation in prices of the results of application of highly efficient advances of scientific-technical progress, the rise of labor productivity, and so on.

Wholesale prices must be introduced in 1990 so that the plan for the 13th FYP is drafted from the outset in the new prices. At the same time, estimate prices in construction and rate schedules in transportation have to be revised. Agricultural purchase prices must also be reviewed. Agriculture must be fully compensated for the entire cost increase of physical resources. The payment of the subsidy for agricultural equipment and fertilizers ought to be terminated. The revision of retail prices is a most difficult problem. The materials of the plenum emphasize the need to improve the system of retail prices, but on such a basis that the standard of living of the population is maintained or even raised for certain categories. The problems here are immense. We still do not have a good idea of the best way to solve this problem, and we are studying approaches to it from every angle.

At the present time the consumption of foodstuffs is being subsidized with immense amounts of money. This subsidy complicates the country's financial situation, distorts demand, and to a certain extent takes away motivation to improve the efficiency of economic activity. Bringing prices of foodstuffs into conformity with the conditions of their production raises the question of compensating the population for that increase and of adhering to the principle of social justice in this matter. This is an extremely complicated problem both in terms of social welfare and in its political aspect.

In what time frame will all this take place? I cannot say whether it will be during this 5-year period or the next.

Question. Is it impossible to say what amount (percentage) of wholesale prices will be set centrally?

[Answer] The price revision will, of course, be conducted on centralized principles. But that does not mean that everything down to the last price list, and they must be worked out by 1 January 1989, will be prepared and approved by central authorities. Some of them will be turned over for development to the branches and sectors and to local soviets. But the setting of prices will be subject to uniform principles.

At present the finance-and-credit system is not having much of an impact toward raising production efficiency; it is still strongly oriented toward fiscal interests, toward solving the problems of the moment, and the future is given short shrift.

The rights of enterprises have now been broadened in the use of financial resources. This is expressed above all in the consolidation of their funds. Whereas previously the enterprise's financial plan contained as many as 130 items, now money resources are accumulated mainly in three funds (the material incentive fund, the fund for social welfare and cultural programs, and the production development fund). These funds are formed on the basis of standard rates. That means that the opportunities which work collectives have to develop their production and social welfare are actually dependent upon the end results of their work. But the standard rates themselves are in need of serious improvement.

Quite significant changes in the credit system are also being proposed. It is a question of setting up a new system of banks. Today there are USSR Gosbank, USSR Srobybank, and USSR Vneshtorgbank. In the new system there would be six banks in operation: USSR Gosbank, USSR Vneshekonombank, USSR Promstroybank, USSR Agroprombank, and the USSR Bank for Housing and Social Welfare Development (in essence this is a bank of local councils), and the USSR Savings Bank. USSR Gosbank will still be the main one among them; it will shape credit policy and settlement policy, it will

provide cash services and issue bank notes, it will determine the purposes of credit financing and the terms and conditions for granting and repayment of loans and interest rate policy. Its decisions are binding upon all banks.

That is from the organizational standpoint. At the same time, significant changes are envisaged in credit relations between banks and the economy, a more exacting attitude is to be taken toward enterprises in connection with credit financing, the purposes for which credit is extended will be consolidated, the banks will monitor more closely the results of the cost-accounting activity of enterprises, the task has been set of unswerving adherence to the main principles of credit financing—it is to be specific as to purpose and governed by plan, there is to be material collateral, terms are to be definite, loans are to be repaid, interest will be collected—principles which have been lost sight of to a considerable extent in recent years.

One fundamental innovation is practical application of the principle 'one client—one bank.' What does this mean? Today credit financing of an enterprise's principal activity is done by USSR Gosbank, while capital construction is financed by USSR Srobybank. This generates an immense amount of unnecessary effort, slows down the circulation of money, detracts from the effective use of financial resources, etc.

Question. There are no dangers at all in connection with the fact that now capital construction will be financed by five banks?

[Answer] No. The uniformity in financing will be guaranteed by the uniformity of bank requirements.

Question. The materials of the June (1987) Plenum set the task of bringing about an improvement in the financial position of enterprises at the start when they make the conversion to the new economic conditions...

[Answer] This is a difficult problem. To solve it enterprises making the transition to the new economic conditions have to be helped to make up the shortage of working capital which they 'have eaten up' as a consequence of their prior activity. In addition, their debts in capital construction have to be settled. All of this takes several billion rubles. These resources will have to be found, and the ways would include charging them to branches and sectors, a redistribution of resources. It has to be said that sector ministries possess approximately 10 billion rubles of uncommitted assets of various kinds (not counting economic incentive funds).

S. P. Ivanov. Much was said at the June and previous plenums and at the 27th party congress about regional planning. Quite a bit has already been done in this direction; in particular union and autonomous republics and ispolkoms of local soviets of people's deputies have



been extended broader rights and greater responsibility for organizing the comprehensive, economic, and social development of their regions.

It is envisaged that in oblasts and krais specialized main production and economic administrations will be created to take responsibility for the tasks of coordinating all activity of enterprises and organizations located in their jurisdictions regardless of subordination. These are completely new structures. They will be subordinate to the ispolkoms of oblast and kray soviets, and they will be headed by the first deputy chairman of the soviet's ispolkom. Local planning agencies retain their functions here, they will figure as planning departments in the production and economic administrations of the oblast and kray. There will be a need in the very near future to prepare a standard regulation on these economic administrations.

Measures are outlined that will guarantee normal relations under the new economic conditions between enterprises and associations (in view of their independence) on the one hand and local authorities on the other. On a number of matters enterprises will clear their projections of future development with local soviets (for example, on questions related to development of the social sphere, environmental protection, etc.).

In addition, provision has been made that beginning in 1988 plans for the comprehensive, economic, and social development of union republics will be approved by councils of ministers of the union republics themselves. The state order will set down the targets of ministries, departments, and councils of ministers of union republics with respect to the economies immediately subordinate to them. Moreover, ministries and departments, once they have received the approved plan from the government, will have to communicate the principal indicators of their plans with respect to enterprises and organizations located in the respective regions to the councils of ministers of union republics, and the latter will independently set forth summary comprehensive plans for the entire region. This work will be done for the first time in the current year.

Another problem arises in this connection—preserving certain centralized elements (interests) in observance of geographic proportions in development of the entire national economy. To that end the efforts of USSR Gosplan in this area must be concentrated mainly on question concerning the future development of particular regions.

What strategies are outlined for this purpose? First of all, there is the active participation of the regional department of USSR Gosplan in working out the long-range conceptions and the general, sectoral, and regional schemes for development and location of the productive forces over the long run (all of them for a 15-year

period). In addition, fixed regional proportions will be established when the reference figures are worked out for the next 5-year planning period.

The second direction is preparation of large-scale comprehensive target programs for development of the country's various regions. During this very year a long-range state program has been drafted for Comprehensive Development of the Far East Economic Region and the Transbaykal Region Over the Period up to the Year 2000 and a program for development of the productive forces of Central Asia and Kazakhstan up to the year 2010. The first of them has been approved by the Politburo of the CPSU Central Committee, and the second is now under consideration in the USSR Council of Ministers. The large-scale programs for the particular regions will then be implemented in the 5-year plans for the country's social and economic development.

There are a great many new questions here that have not been altogether worked out: in particular, questions related to relations between enterprises and the bodies and agencies of soviets. This does not seem to be a simple matter. But precisely who should individual enterprises clear the basic indicators of their plan with: with the rayon or oblast soviet or with both? This has not been thoroughly worked out as yet.

It seems that there will be some kind of gradation: some enterprises will get clearance at one level while others will get it at another. This will be spelled out in the process of preparing the 13th FYP.

There is also a need to prepare a number of recommendations and instructions on methods and model regulations that could guarantee implementation of the innovations on the scale of the entire country.

Question put to V. G. Gribov. How will changes in efficiency and remuneration be taken into account in the setting of prices?

[Answer] Two tendencies need to be noted here. As labor productivity rises, there will be a drop in expenditures for remuneration in the production costs of the product. Prices must drop as a consequence. But fuller appreciation of expenditures for reproduction of manpower will tend to raise them. The elimination of subsidies on a number of consumer goods and subsidies of the budget of social insurance will operate in the same direction.

Questions put to O. M. Yun. Can an enterprise be altogether on a cost-accounting footing and self-financing if it is receiving more from the state budget than it is sending it?

[Answer] in the new economic system there is little connection between these things. The enterprise may not receive anything from the state budget unless it has a state order for full reconstruction or expansion of production (construction of a new enterprise within an

association). In this case its development takes place entirely from its own resources. But if the plan provides that from the standpoint of the interests of the national economy there is a need for full reconstruction and expansion of the association, capital investments may be allocated to it in larger amounts than the sum of its deductions paid into the budget during that period. Thus the principle of self financing is not violated.

**Question.** Tell us whether you feel that the new economic mechanism can successfully withstand the tendencies toward consumption that have been clearly manifested already in the first stage of its practical application in the operation of many enterprises?

**[Answer]** I do not agree that a consumerist tendency has been manifested in the new mechanism. Of course, enterprises have clearly shown an aspiration to augment their profit. They can achieve this by increasing the volume of production, by improving product quality and obtaining supplements on that basis, by reducing the production cost, through structural shifts of production, and through higher prices.

Since all enterprises have not yet made the transition to self-financing, they have an opportunity to raise negotiated prices on the products they produce, since a number of consumers are indifferent to this—at present they pay for their expenses out of the budget. But in the context of self-financing, the consumer will have to be mindful of what he is paying for his purchase.

Structural shifts in the new conditions will bring about a growth of profit and income because enterprises must unfailingly discharge their contractual obligations. A growth of production of highly profitable products to the detriment of contractual obligations will cost the enterprise very dear, since it will have to pay a penalty for nonperformance of contracts that is larger than the profit received from changing the product mix. So, in my opinion, there is nothing bad about their earning more.

**Questions put to Ye. A. Ivanov.** The very rigid principle you expressed about the need for alternative versions of the Conception is not altogether clear. How is the role of fulfillment of target programs changing?

**[Answer]** The conception will be worked out in a number of alternative versions of proportions and of strategies for achieving them. Alternative possibilities for shaping the proportions will be worked out. Policy-making bodies will be able to select that version which best corresponds to the goals of the development of our society and our country. The Basic Directions and the 5-year plan will be shaped (without an alternative version) on the basis of the version selected in the stage of the Conception.

As for the target programs, their role is large in the planned work on problems which are multisector in nature.

**Question.** Tell us a little about the new social welfare standards.

**[Answer]** There are various social welfare standards at the present moment: physiological standards of nutrition, standards as to the adequate supply of nonfood commodities to families, and so on. This set of standards is to be expanded. For example, the standards as to the relative number of physicians in various specialties, the capacity of outpatient clinics, the number of hospital beds, the relative adequacy of kindergartens, and so on, will be differentiated by regions. The plan will call for coming closer to these progressive standards.

**Question.** Does that mean that we intend to change ourselves and shape the new man through development of money-exchange relations?

**[Answer]** I do not think that is it. The new man, the new work collectives, require other relations in the economy, the development of economic relations rather than relations of a command system of administration.

I would like to go back to the question of the soundness of economic standards, the question of their linkage to the state orders. Of course, at present, if we are talking about 1988, 1989, and 1990, which are covered by the 5-year plan in which all proportions have been set down, it is not very complicated to arrive at economic standards from them. These standards for the new 5-year planning period, taking into account the state order, must be derived from those balances that are worked out in Gosplan.

Thus following introduction of the integral system for management of the economy our country will have a completely different economy. Within it there will be as it were two cross sections (while internal unity would be preserved). The first will function on centralized principles—state orders, limits, centralized capital investments, centrally set prices, and centralized distribution of material and technical resources. The second will not have rigidly centralized assignments: capital investments will not be centralized; the product mix will not be planned from above, but will be chosen by the enterprise on the basis of contracts; prices of these products will be negotiated; and there will be wholesale trade along with the free search for a trading partner or through a middleman.

On the whole this will be an economy which places our national economy on parameters of efficiency as set down in the party program and in its long-range economic policy.

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**First Steps in Setting Up Gospriyemka Discussed**  
18200015 Moscow VESTNIK  
MASHINOSTROYENIYA in Russian No 9, Sep 87  
pp 3-5

[Article by USSR Gosstandart [State Committee for Standards] State Acceptance Administration Chief B.S. Migachev: "The First Steps in Creating Organs for State Acceptance of Products"]

[Text] A radical increase in product quality under contemporary conditions is one of the key economic and political tasks in the realization of the policies of the 27th CPSU Congress aimed at accelerating the socio-economic progress of the country.

Product quality is a most important factor in economic intensification for the purpose of the more complete satisfaction of the growing needs of the national economy and the population.

As is well known, all industrial products in our country are produced only according to state standards or technical specifications in which are contained qualitative indicators of industrial product quality. The degree of observance of the requirements of standards and technical specifications in production determines the quality level of industrial products.

Instances of the output of industrial products by enterprises with violations of the requirements of prevailing technical-standards documentation (TSD) have come to be detected more and more often in recent years.

The results of the activity of state surveillance of the observance of standards and technical specifications in recent years show that in 70 cases out of a 100 there exists the manufacture of products with deviations from the requirements of TSD. It should be kept in mind herein that the products produced with violations of standards requirements had QC [quality-control] stamps, i.e. had been tested and approved by the official plant quality-control services.

These instances testify to the fact that the departmental quality-control services had a vested interest in the fulfillment of the production plan "at any price," since the material incentives for the QC workers depended on it.

The necessity has therefore arisen to create an objective and reliable barrier to rejects that reflects the true interests of the national economy and the consumer. An organ for the extra-departmental monitoring of industrial product quality—state acceptance—has been created by a decree of the CPSU Central Committee and the USSR Council of Ministers titled "Steps for a Radical Increase in Product Quality." This organ is called upon in the name of the state to facilitate an increase in responsibility for quality in each section of the whole

production-cycle chain and the improvement of the quality of manufacture of both individual assemblies and units and of end products.

State acceptance, organically forging the management of product quality into the overall chain of reciprocal ties, detecting shortcomings in end products, uncovers both the subjective and objective causes of rejects, which could be either violations of technological conditions by the immediate executor or the poor technical level of production equipment that cannot support the required technological conditions. In this case, state acceptance halts the acceptance of products and incites the enterprise to take immediate steps to eliminate the source of rejects. When production ensures the output of products that correspond to standard requirements as a result of the steps taken, state acceptance resumes its activity.

The strategy of accelerated socio-economic development of society based on scientific and technical progress, large-scale technical reconstruction of the whole national economy and the placement of the problem of quality at the center of economic policy that has been developed in our country thus has brought about the necessity of introducing state acceptance, which is aimed at raising the quality of the products produced in the country and bringing their technical level to the world level. Essential for this are the automation of production, the incorporation of the latest technological processes, the stimulation of accelerated renewal of fixed productive capital, the reconstruction and certification of jobs and the creation of the latest testing and measurement-and-inspection equipment.

In the production process, state acceptance accomplishes the immediate monitoring of all the work of the industrial enterprise for quality, conducts the acceptance of products at any stage of manufacture, verification of its compliance with the requirements of TSD and spot verifications, disassemblies and testing, where necessary, of units, assemblies and items, along with final product acceptance.

State acceptance begins with the incoming inspection of constituent items. Although the quality of constituent items and raw and other materials is immediately monitored by the QC manpower, monitoring the activity of QC itself at this stage of production is accomplished by state acceptance, using the method of "roving" inspection. An objective evaluation of the quality of constituent items takes on especial significance herein so as not to allow the entry of substandard items (raw or other materials) into production and to have definite guarantees of quality in the production process. Another and no less important task is complaint work—analyzing the defects in incoming items and determining the manufacturer of the reject products. In the event of the discovery of the plant that supplies the reject products, state acceptance immediately establishes direct contact with either the state acceptance of that plant (if it exists) or with the territorial organ of USSR Gosstandart under whose jurisdiction the plant is located and informs them of the unsatisfactory quality of the products made by that plant to



take the essential steps to eliminate rejects in the incoming items. A system of state monitoring along the whole chain of manufacture of the end product is thus put into effect according to the information from state acceptance: from raw materials to finished product. This is precisely the dynamism and effectiveness of state acceptance.

State acceptance devotes particular attention to compliance with the requirements of design and standards documentation prevailing at the enterprise (GOSTs [all-union state standards], OSTs [sector standards] and TU [technical specifications]). The timely reflection of all changes made to design documentation, as well as corrections to design documentation as a result of receiving or periodic inspection testing, is essential.

The whole body of technical documentation must be brought into compliance in correcting or altering design documentation.

One of the principal causes of rejects in finished products is the failure to observe standard technological processes. There can be various causes herein: lack of training or discipline on the part of the executor, the poor technical level of the technological documentation, a lack of production rhythm etc. State acceptance is obliged to uncover the specific reasons for the appearance of rejects in the production process, and to develop, in conjunction with the engineering services, steps to eliminate them in the future, and in the future, in realizing these steps, eliminate the shortcomings and rejects and resume acceptance.

In evaluating the quality of finished products, state acceptance should have a trustworthy mechanism that allows the objective establishment of the correspondence of the actual properties or parameters of the item to the requirements of prevailing TSD. Such a means is the execution of receiving, periodic inspection or standard testing, while their results in the form of a protocol make it possible to compare in numeric form the specific qualitative indicators of the item being tested with the required standards. The integrity of the testing process is ensured by the fact that the QC department and state acceptance use the same standard documents (GOST or TU) in conducting the tests.

In evaluating the results of periodic test inspections, state acceptance focuses its attention on the principal qualitative indicators that determine the paramount interests of the consumer: reliability, service life and design features. The measurement-and-inspection equipment used, which must unfailingly be metrologically certified beforehand, plays a substantial role in the objectivity and completeness of the testing. Only in this case can the quantitative results of testing be trustworthy.

Metrological support has great significance not only in the testing process, but in the accomplishment of technological processes as well. It is namely there that the measurements that permit an analysis of the course of

the technological process, as well as its management, especially with as a result of the appearance of a disparity in qualitative indicators, can ensure the strict compliance of conditions with the requirements of technological documentation.

The state of the workstations should also be in the field of view of state acceptance. The workstation should unfailingly be equipped with the essential set of documentation in accordance with which the technological process or inspection operation is being conducted. The workstation is provided with the necessary measuring tools, which have undergone the compulsory metrological verification and are suitable for the work. Such certification of the workplace overall should ensure both the high-quality fulfillment of technological processes and the quality of the units, assemblies and items manufactured.

Implementing the acceptance of finished products after they have been accepted by QC, state acceptance monitors the activity of the QC department in that manner, which makes it possible to determine how effective the activity of the enterprise is overall in raising product quality and, in particular, the QC department as the organ of the industrial enterprise that is obliged to halt the output of poor-quality products.

At the initial stages of its activity, state acceptance should facilitate the reinforcement of the functions of the QC department and an increase in the efficiency of its work. Questions of the complete equipping of the QC department, providing it with measurement-and-inspection tools and delivery jigs and realizing the principles of incentives for the activity of the inspection services of enterprises as defined by the decrees of the party and the government, should fall under the field of view of state acceptance.

Such is basically the structure of state product acceptance.

State standards define four instances for halting the acceptance of products by state-acceptance organs.

1. **Product failure to comply with TSD.** This failure can be detected in comparing the requirements of prevailing GOSTs, TUs and OSTs with the specific technical or economic indicators that are contained in the official technical documentation for the finished product.

2. **Negative test results.** In the receiving or periodic inspections or standard testing, a failure to comply with one or several qualitative indicators of TSD requirements can be detected. In the event that a conclusion is drawn regarding the randomness or possibility of rapid correction according to the results of analysis, then after the elimination of the defect the state-acceptance organ resumes acceptance.

In the event that the deviation from the TSD is defined by shortcomings in the design documentation or a persistent failure to observe a technological process due

to the limited capabilities of technological equipment, the state-acceptance organ does not resume acceptance until such time as either the shortcomings in the design are eliminated or the technological processes are changed to support the output of items in strict accordance with prevailing TSD.

Thus state acceptance, affecting specific links of production, incites them to ensure the essential production and technological discipline that lies at the heart of conformity to the requirements of technical-standards, design and technological documentation.

**3. Repeated violations of the technological production process** which lead to production instability and, consequently, instability in product quality. State acceptance, in determining the so-called "sore spots" of the technological process, i.e. those that have a material effect on ultimate product quality, can establish either acceptance by operation or the acceptance of individual units and assemblies after their corresponding acceptance by plant QC services. Such actions by state acceptance increase the reliability of quality evaluations of finishing operations.

**4. Detection of product defects that cause accidents (breakdowns) in the process of operation**, if these defects also exist in products that are in production.

This situation is brought about first and foremost by shortcomings in design or failures to comply with technology, which have an immediate effect in a decline in reliability in the process of operation or a worsening of consumer features that ensure safety.

Any situation associated with a halt in product acceptance should be analyzed. First and foremost, the reasons for the production of products that have deviations from the requirements of prevailing TSD in specific technical parameters or properties should be uncovered. If these reasons are easily and quickly removed from the production process, acceptance is resumed after their elimination and subsequent confirmation of the essential quality.

In the event that the defects detected are of a permanent nature and their elimination will require improvements in technology, the renewal of the machine-tool inventory, the reconstruction of accommodations etc., i.e. a whole set of measures is required whose realization is possible only with the passage of a certain amount of time, the production enterprises, in conjunction with sector ministries, develop measures to eliminate the causes for the output of poor-quality products, realize them and ultimately strive for the output of such products whose level of quality would correspond to the essential requirements. Up to now, production has not ensured the output of products in strict accordance with the requirements of prevailing TSD.

In exceptional circumstances defined by economic necessity and expediency, USSR Gosstandart, the manufacturing ministry and the client (consumer) ministry, as an exception, can decide on a temporary deviation from the requirements of TSD, wherein the manufacturing ministry should guarantee the elimination of shortcomings in production and the attainment of a level of product quality in full compliance with TSD in a defined period of time.

In the event of the sale of products with temporary deviations from prevailing TSD, all economic factors of influence are extended to that product: price discounts, penalties and sanctions, the removal of the State Seal of Quality etc. State acceptance herein carries out the acceptance of the product with a regard for protocol on temporary deviations and monitors the realization of measures of measures developed by the enterprise and ministry to eliminate shortcomings in production.

The CPSU Central Committee and the USSR Council of Ministers, in a decree on steps for a radical rise in product quality, determined the date for the introduction of state product acceptance as 1 Jan 87 [as published]. In order to prepare for the introduction of state acceptance in a more organized fashion, USSR Gosstandart has proposed the gradual development of this process: October 1987—acceptance of 10-15 percent of the total amount of products, November—up to 30 percent and December 1987—no less than 70 percent.

The readiness of any service to work is determined first and foremost by the presence of qualified personnel and the technical equipment to support the tasks facing them.

The staffing of the managers of the organs of state acceptance was practically complete in November of 1986. By the end of December 1986 the staffs of the state-acceptance organs were filled out. All of the managers of the state-acceptance organs completed special training in the methods and forms of state product acceptance at institutes of USSR Gosstandart. All of the managers of these organs have higher technical education and definite experience in engineering and management work. The majority of them, before transfer to USSR Gosstandart, worked at these same enterprises, and therefore the incorporation of these specialists into known production with new functions did not cause any fundamental difficulties.

One problem, however, consists of the fact that an employee of the enterprise that had earlier defended just the interests of his own enterprise must re-align himself and become an objective representative of state acceptance defending the interests of the consumer and the state, which may differ from the interests of production. The representative of state acceptance should be, on the one hand, a direct participant in the production of high-quality products and, on the other, provide a strong barrier to rejects. His principle is: the plan only with the presence of high-quality products, not at any price.



A real-time link exists between all 1,500 organs of state acceptance. Over the course of January-February 1988, an automated information system with listings broken down by ministries, regions, types of products etc. will be devised. This will help in conducting a deep analysis of product quality and evaluating the effectiveness of state product acceptance.

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## RESOURCE UTILIZATION, SUPPLY

### More Direct Enterprise Dealings Encouraged in Supply

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Russian No 40, Oct 87 p 18

[Article by S. Anisimov under the rubric "The New Mechanism of Economic Operation": "On the Basis of Direct Ties"]

[Text] Moscow — *In the course of the restructuring of material and technical supply, the principal form of operational contacts among enterprises is becoming the direct one. This form for the mutual relations of manufacturer and*

*supplier enterprises has long been known. Under the conditions of the new mechanism of economic operation, however, its substance is changing qualitatively.*

Up until now, direct contacts have been established with the participation of the supply and sales organs. Such ties have been employed chiefly for enterprises in mass or large-series production with a steady nature of product range for the products consumed. Under the conditions of the centralized allocated supply of material resources, the role of the supply and sales organizations was reduced therein to matching the consumer with a supplier. The specialization of the supplier and efficient transportation schemes for shipping were taken into account therein. In the plans for match-ups, basically issued for a five-year term, the volume of annual product deliveries in aggregate groupings were indicated. The consumer entered into direct operational contacts with the supplier within the framework of these volumes.

### According to the Attachment Plans

By the beginning of 1987, almost a third of products for productive and technical purposes sold through the USSR Gosnab system (3,250 aggregate groupings) were delivered according to direct long-term operational ties. The overwhelming majority of the enterprises with large-series and mass production—over twelve thousand production associations and enterprises—annually received products in a total amount of over 45 billion rubles from 6,700 suppliers.

The Development of Direct Long-Term Operational Ties %

	1980	1985	1986
Total volume of products sold through USSR Gosnab, billions of rubles	119.7	154.6	159.0
Including:			
Volume of products sold via direct long-term operational ties	44.5	45.2	48.0
The same as a percentage of the total volume	37	29	30

For example, over 40 million tons of rolled ferrous metals, 3.7 million tons of steel pipe, almost 92 million cubic meters of timber, 5.8 million cubic meters of lumber, 60 million tons of cement and over 300,000 trucks and tractors were delivered through direct long-term operational ties in 1986. This type of ties has become the principal one for many enterprises in the material and technical supply of production.

Experience has shown the vitality of direct long-term operational ties—a progressive form of supply. What are the advantages? First and foremost the fact that the enterprises are able to reduce the materials-intensiveness of production and to economize material resources. After all, the conversion to direct long-term operational ties allows enterprises to form a production-capacity utilization plan for the long term and determine the need for raw materials and the product range of their production in advance for the maximum satisfaction of the

customer's requirements. Based on the direct ties, the enterprises can agree on mutual services of a production and organizational nature and coordinate delivery schedules and deadlines in accordance with the rhythm of production.

Extant forms of direct ties, however, have not ensured the independence in material and technical supply essential to the enterprises. Along with approved plans for long-term matches of consumers with suppliers, other documents issued by the supply organs have also been retained, namely yearly orders for product deliveries. This procedure created uncertainty in the long-term nature of the contacts and the volumes of deliveries, since the enterprises had to await the yearly approval of the direct operational ties that had been established by the organs of material and technical supply. Instances of unfounded changes in enterprise ties were not infrequent. The increase in the amount of products sold via

direct long-term operational ties was insignificant as a result. It totaled only 3.5 billion rubles for the USSR Gosnab system from 1980 to 1986.

These shortcomings in the organization of direct ties have come to be manifested especially distinctly in recent years, when the intensity of balancing plans for product output with their material and technical supply has increased. As a consequence, the detailing of the product assortments in product-capacity protocols as concluded by the all-union supply and sales main administrations of USSR Gosnab with the supplier plants has increased, which in turn has led to the detailing of product assortments in the documents for direct ties.

These changes in the planning of deliveries have violated the main principle of direct ties—the immediate contact of the consumer and the manufacturer of products. The suppliers, in the majority of cases, accept orders through direct ties after the coordination of protocols for production capacity with the all-union supply and sales main administrations.

#### According to Unlimited Orders

The new mechanism of economic operation is aimed at the full utilization of the advantages of direct operational ties with an expansion of the independence and responsibility of enterprises for the sale of their own products and the material and technical supply of production. This is becoming a most important condition for the fulfillment of the chief task of the enterprise, which consists of satisfying to the utmost the social requirements of the national economy and the citizenry for high-quality products.

The essence of the changes can be reduced first and foremost to the fact that direct ties are included to a considerable extent in the system of wholesale trade of capital goods and are becoming one of the three varieties of it (along with the material and technical supply of enterprises according to contracts with intermediaries and through farm stores). In this case, direct contracts for products that are not the objects of centralized distribution and regulation of delivery on the part of the organs of material and technical supply as intermediaries are becoming the foundation of direct ties between producers and consumers in the form of free buying and selling. The discussion concerns the sale of products according to direct unlimited orders. Such direct operational ties differ fundamentally from extant forms of them in the new mechanism of economic operation.

Taking into account the fact that the Fundamental Provisions for a Radical Restructuring of Economic Management pose the task of completing the transition to wholesale trade in capital goods over the course of four or five years, the development of direct ties according to unlimited orders moves to the fore. This form of operational contact, without the participation of an intermediary, which has received undeservedly little

attention until recently, is becoming the principal one in the supply of capital goods. This type of direct operational ties most fully meets the needs of the new mechanism of economic operation.

Enterprises operating under conditions of full economic accountability (*khozrashchet*) and self-financing are getting the opportunity of entering independently into contacts regarding the delivery of products on mutually advantageous grounds without any intermediaries. An economic rather than a command-administrative method of managing material and technical supply will be the leading one therein. All questions that go beyond the bounds of technical specifications, for example additional requirements for packaging, transporting, deadlines and assortments of the products being delivered, will be resolved independently by the partners proceeding from their economic interests. The requirements of the consumer, as is pointed out in the first article of the USSR State Enterprise (Association) Law, are compulsory for the producer enterprise.

Solid cooperative ties are already taking shape in the national economy today. In the majority of cases, the customers know both the capabilities of their suppliers and of other enterprises producing similar products very well. This gives them the opportunity of correctly choosing a fellow producer that puts out products that best meet their requirements. With the presence of a mutual vested interest in long-term political ties, the customers and the suppliers can conclude an appropriate agreement for a long-term period of collaboration not only on issues of delivery, but also on issues of improving production technology and the assimilation of new types of products.

Practice has shown that the essential experience in the development of efficient long-term operational ties has already been accumulated despite the strict allocation of deliveries in the past. The Belgorod and Taganrog Boiler Plants are having good results from long-term collaboration with the Nikopolsk Southern Pipe Plant in the matter of raising the quality of pipe and assimilating new grades of steel. This is facilitating the output of boilers of fundamentally new designs. The same could also be said for the direct ties of enterprises in the motor-vehicle and aviation industries, who have done a great deal to improve the vehicles produced thanks to close collaboration with the metallurgists.

Consumers and suppliers can thus operate without intermediaries with well-arranged operational ties under the conditions of wholesale trade.

Situations are also possible, however, where the consumer needs assistance in establishing direct ties. This relates largely to small and medium-sized enterprises that have frequent changes in production patterns, as well as those instances where the specialization of suppliers changes. Support from an intermediary—the supply and sales organs of USSR Gosnab—is needed here. Their role should be reduced to consulting assistance for

the consumers, the recommendation of possible suppliers, the rendering of services in arranging operational ties and other information services. The USSR State Enterprise (Association) Law grants the right to conclude agreements with the organs of material and technical supply for the rendering of various services, including information support. USSR Gossnab must develop the provisions of a technique for establishing such ties and indicate in it the role its organs should play in information support for the consumer.

### Centralized Distribution

Along with the developing wholesale trade, the centralized distribution of resources is also preserved under the new conditions of economic operation: electric-power and heat supply, raw materials for the light and food industries, crude oil, gas, ferrous and non-ferrous metal ores, proprietary and special equipment and products delivered for export, for market allocations and for defense purposes.

The proportionate share of centrally distributed resources, however, should decline to the extent that wholesale trade develops. By 1990 it will not exceed 40 percent of the total volume of production and technical products sold with the participation of the USSR Gossnab system.

Direct ties are becoming the chief form of operational mutual relations for deliveries under centralized distribution. They will be formulated primarily for the long term with the participation of the sales and supply organs, whose functions should be reduced to attaching the consumer to the supplier in accordance with their desires within the limits of allocable resources. Shortcomings in the functioning of the direct long-term operational ties prevailing today must of course be eliminated to create such operational mutual relations.

First and foremost, unjustified limitations in their development must be rejected and excessive regulation in the formulation of plans for the matching of suppliers to customers must be halted, as strictly guided by the USSR State Enterprise (Association) Law. Article 15 of the Law states that the enterprise determines the assortment and delivery deadlines for centrally distributed resources according to contracts with the suppliers. The same article mentions prohibiting the organs of material and technical supply from

arbitrarily reviewing the existing direct long-term ties of enterprises. Their retention and expansion is today primarily the right of the consumer. They also have the right to choose the forms of delivery: directly from the manufacturer or through a sales and supply enterprise.

Under the conditions of the expanding democratization of operational ties and the development of specialization and cooperative production, the right being granted to enterprises that currently have direct long-term operational ties for the mutual exchange of material and financial resources based on contracts concluded and the establishment of surcharges (discounts) to centrally established wholesale prices for the fulfillment of additional customer requirements in changing the consumer features and outfitting of products has great significance today. This will create good conditions for the mutually beneficial collaboration of labor collectives and a fuller regard for the specific requirements of consumers in the manufacture and assimilation of new and progressive types of items.

The degree of participation of sales and supply organizations in establishing operational ties will decrease to the extent that the proportionate share of centrally distributed products declines. In parallel with this, enterprises will come more and more to enter into direct ties, structuring these ties on both a short-term and a long-term basis depending on the stability of production patterns. USSR Gossnab has already adopted a special decree, in accordance with which many enterprises in non-ferrous metallurgy and the chemical, electrical-equipment, instrument-building, heavy and petrochemical industries and a number of other sectors (over 20 all-union ministries in all) will, starting in 1988, sell certain types of production and technical equipment through direct ties with consumers.

Direct operational ties are an important sphere for displaying the possibilities of economic competition of enterprises for the greatest satisfaction of social needs and the aspirations of consumers with the least spending. The economic competition of enterprises will undoubtedly give new impetus to growth in production and a rise in its efficiency based on a strengthening of the vested interest of labor collectives in it under economic accountability.



## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Measures for Increasing Food Production Resources Examined

18240019 Moscow *PLANOVOYE KHOZYAYSTVO* in  
Russian No 9, Sep 87 pp 39-44

[Article by G. Yelistratov, deputy chief of a department of the USSR Gosplan, and V. Ivashchenko, chief of a subdepartment of the USSR Gosplan: "Potentials for Improving the Population's Provision With Food"]

[Text] Improvement in the organizational structure of administration and in the economic mechanism of management in the country's agro-industrial complex is the basis for the realization of measures for solving the food problem. Reducing losses and improving the quality of output are some of the basic sources for increasing food resources.

The June (1987) Plenum of the CPSU Central Committee named the provision of the Soviet people with food one of the immediate tasks. The situation is improving here. In the last 2 years (as compared with 1984) the production of grain increased by 37 million tons, of meat (in carcass weight), by 1 million tons, of milk, by 4.3 million tons, and of eggs, by 4.2 billion. A number of oblasts, krais, and autonomous republics attained quite good results in meeting their own needs for meat and milk. The plenum stressed the need for utilizing all the potentials for increasing the production of agricultural products.

High rates of steel production and purchases have become characteristic for agro-industrial production especially during the current five-year plan. For example, in 1986, as compared with 1985, the increase in purchases of livestock and poultry comprised 8 percent, of milk, 5 percent, and of eggs, 6 percent. In 1982-1986, as compared with the preceding period (1977-1981), the biggest growth was attained in the gross output of fruits and berries in the Georgian SSR and the Azerbaijan SSR (1.3- to 1.5-fold) and of vegetables in the Tajik SSR, the Kirghiz SSR, and the Estonian SSR (1.2- to 1.3-fold), the average increase in the country comprising 11 to 15 percent, as well as in the production of meat (in carcass weight 111 percent), of milk (105 percent), and of eggs (116 percent).

During that period main efforts were concentrated on the growth of the production of livestock products. The established assignments for livestock, poultry, milk, and egg purchases were fulfilled. For example, as compared with the preceding 5-year period, livestock and poultry purchases comprised 109.8 percent, of milk, 111.8 percent, and of eggs, 121.0 percent. In the last 4 years virtually all the Union republics have fulfilled plans successfully. At the same time, farms in the Kazakh SSR

owe some meat. The rates of growth of livestock and poultry purchases in the Kirghiz SSR and the Estonian SSR are lower than in other republics.

The growth of the production of livestock products makes it possible to improve the population's supply. The conference at the CPSU Central Committee held in January 1987 noted that the achievements of the first 4 years of work on the fulfillment of the country's Food Program made it possible to increase the per-capita consumption of meat by 4 kg, of milk and dairy products, by 32 kg, and of eggs, by 16. The consumption of vegetables and fruits also increased, while the consumption of grain products and potatoes decreased.

However, it has not yet been possible to significantly advance in the production of grain and oil crops. During this 5-year period, as compared with the preceding one, the average annual gross output of these crops was lowered in the Ukrainian SSR and the Moldavian SSR and of grain, in the Uzbek SSR, the Kazakh SSR, the Georgian SSR, the Kirghiz SSR, and the Armenian SSR. The CPSU Central Committee and the USSR Council of Ministers adopted a decree "On Measures to Increase the Stability of the Country's Grain Economy and Grain Fodder Resources During the 12th Five-Year Plan." The measures envisaged in it are connected with expanding the areas of cultivation of grain crops according to intensive technologies, strengthening the material and technical base of farms and enterprises of the agro-industrial complex, which ensure the production and processing of grain, and organizing the sale of scarce resources to kolkhozes and sovkhozes when they fulfill purchase plans.

Assignments for the production and purchases of sugar beets were not fulfilled by farms in the Ukrainian SSR, which failed to deliver almost 50 million tons of sugar beets, as compared with the plan, throughout 5 years and lowered their production as compared with the preceding period. At the same time, farms in the Moldavian SSR and the Kazakh SSR reduced the production and did not fulfill the established plans for the purchases of this crop.

The transition to an intensive path of development of sectors was determined in the process of realization of the USSR Food Program. Virtually the entire increase in agricultural output in 1982-1986 was attained through an improvement in qualitative indicators, that is, growth of the yield of fields and productivity of livestock sections. For example, milk yield per cow on the country's kolkhozes and sovkhozes increased by 452 kg. This affected the overcoming of the previously stable tendency in the growth of expenditures per unit of output.

With the unification of agriculture and sectors of the processing industry into a single USSR Gosagroprom system many problems of an intersectoral nature have begun to be examined and solved in a different way. The growth of the production of agricultural products is now

accompanied by an appropriate strengthening of the base for their storage and processing. The prerequisites for a general transition to new methods of management, development of people's labor activity, and drawing of additional resources into production have been created in all agroprom sectors.

Reducing losses and improving the quality of agricultural products are important sources for increasing food resources. The elimination of losses would make it possible right now to increase consumption resources by 20 to 30 percent and to save substantial funds. According to our calculations, grain and sugar beet losses during harvesting, on the average, comprise about 10 to 11

percent of the gross output and in the process of storage of the gathered harvest, up to 5 percent. Up to one-fourth of the gathered harvest of vegetables and potatoes and a significant quantity of livestock products are lost mainly owing to the delay in harvesting time, low quality of harvesting equipment, weak material production base, and violation of product storage techniques.

According to the data of scientific research institutions, the optimum time for the harvesting of grain crops is up to 10 work days. Exceeding them leads to losses of standing windrowed grain from the 8th day after full grain ripeness. In the last few years the time of harvesting operations (in days) has been shortened, which is evident from the following data:

	1980 report	1985 report	1990 calculation
Simultaneously ripening grain crops	18	12	10
Corn for grain	16	15	12
Silage crops	20	14	9
Sugar beets	18	14	10

The sufficient equipment of kolkhozes and sovkhoses with harvesting machinery characteristic of the last few years will make it possible in 1990 to harvest many crops at the optimum time. Essentially, a new period—transition from a quantitative saturation with individual types of machinery to its deliveries strictly according to farm orders—has begun for agriculture. At the same time, preference is given to highly productive and reliable machinery and to sets of machines. The proper recording and temporary storage of the gathered harvest are of great importance. The existing system of recording grain arriving from combines at the threshing floor gives a distorted evaluation of the gathered harvest owing to the contamination of grain, its increased moisture, and the difference between the hopper weight and the weight after further processing, which reaches 18 to 30 percent on some farms. For example, in 1985 the grain yield on kolkhozes in the Estonian SSR totaled 22.2 quintals per hectare and in the Ukrainian SSR, 21.2. After the further processing of grain its weight per hectare totaled 17 quintals on kolkhozes in the Estonian SSR and 20.4 quintals in the Ukrainian SSR.

An efficient utilization of grain is the potential for reducing its losses. In the last few years areas sown with grain crops have not expanded and in some regions have even been reduced. At the same time, however, the expenditure of grain crop seeds is growing constantly, which to some extent is connected with their low quality, as well as with the reseeded of winter crops that perished.

An improvement in seeds alone will make it possible to reduce grain expenditure by 3 to 4 million tons annually. There is also an urgent need to revise seeding rates. The

crowdedness of crops with the increasing doses of mineral fertilizer application results in a harvest loss owing to the lodging of grain crops and each such hectare of grain crops fails to deliver up to 25 percent of the possible harvest.

At present about 60 percent of the gross output of grain is expended on feed for livestock. To improve the balance of grain feed, about 100 kg of cakes and oil-seed meal have begun to be introduced per ton of grain used in the production of mixed feed produced at state enterprises, which is approximately 30 percent more than in 1981-1982. As a result, the expenditure of grain on feed purposes is reduced and its efficiency in animal feeding rises. However, these measures are insufficient. An increase at accelerated rates in the production of high-protein feed (oil and pulse crops, lucerne, clover, and so forth) directly on kolkhozes and sovkhoses is today's urgent task. There is a need for an efficient organization of grain farming, and for the production, primarily, of crops required on the order of the state for food purposes. With regard to fodder grain, feed specialization varieties, for example, barley with a content of no less than 12 to 14 percent of protein in grain, should be used for these purposes. However, its brewing varieties, whose basic quality, conversely, is a low protein content, are regionalized and widespread in production.

For the purpose of reducing losses of fruit and vegetable products appropriate measures have been developed and are being implemented. Light-weight vegetable and potato storage facilities and fruit storage facilities with appropriate equipment, refrigerating units for fruit storage facilities, and mechanized flow lines for the commodity processing, packaging, and repackaging of products are being built. At the same time, the construction of



such storage facilities, hard-surface interfarm roads, and other infrastructure projects, as well as of enterprises for the processing of agricultural products, is carried out on kolkhozes and sovkhozes. Measures are taken for an accelerated introduction of highly productive, new varieties of potatoes, vegetables, and melon and other crops resistant to diseases and suitable for mechanized cultivation. Direct relations of kolkhozes and sovkhozes with enterprises for the processing of products and trade and public dining enterprises are being developed, superfluous intermediary links are being eliminated, and the sale of fruit, vegetable, and other perishable products in firm stores and at kolkhoz markets is expanding. However, in a number of Union republics these processes occur still slowly.

Improvement in the quality of products is another major potential for ensuring the growth of food resources. Owing to the low quality of products, the country incurs material and moral expenses. Kolkhozes, sovkhozes, procurement organizations, and processing enterprises of the agro-industrial complex incur big losses due to the lowering of consumer qualities of agricultural products procured for state resources, which has an effect on meeting the population's demand for agricultural products. For example, a reduction of only 0.1 percent in the content of fat in milk throughout the country is equivalent to losses of up to 3 million tons of whole milk. In order to compensate for these losses, it is necessary to increase the cow stock by 1 million, to build livestock barns for keeping them, and to provide additional feed, proper care, keeping, and milking. During the preceding 10 years the content of fat in milk was reduced by 0.2 percent and the tendency toward its increase has begun to be manifested only in the last 2 years.

Marked qualitative changes occur in feed production. During the 11th Five-Year Plan, as compared with 1971-1975, average annual volumes of procurement of hay increased 1.3-fold and of silage, 1.5-fold, which made it possible to increase the proportion of coarse and succulent feed in the structure of feed expenditure. The

share of first- and second-category hay increased from 45 to 69 percent, of haylage, from 45 to 68 percent, and of silage, from 58 to 72 percent. Work on improving the protein balance of feed through an expansion of lucerne, clover, and other leguminous grass areas in the total hay harvest area and on increasing the content of digestible protein in concentrated feed with the utilization of the raw material resources of kolkhozes, sovkhozes, and other agricultural and industrial enterprises is carried out in localities. An increase in the production of protein in feed is one of the decisive factors in animal husbandry intensification.

The assortment and quality of food grain procured for state resources are being improved slowly. With big total volumes of wheat purchases the proportion of the grain of strong and durum wheat is lowered. For example, throughout the USSR purchases of grain of strong wheat, on the average, in 1983-1985, as compared with 1976, decreased to more than one-half and of durum wheat, to one-third of the average annual level during the 11th Five-Year Plan, which was the reason for the nonfulfillment of their purchase plans. In 1986 measures for production intensification were taken in localities. They ensured a 1.5-fold increase in the procurement of the grain of strong wheat and a 2-fold, in that of durum wheat as compared with 1985.

During the next few years it will be necessary to fully meet the country's increasing needs for high-quality food and fodder grain, to raise the production of durum (first-category) and strong wheat, and to improve the structure of grain purchases.

The activity of farms and enterprises of the country's agro-industrial complex is aimed at improving the population's supply with food, including high-quality fruit and vegetable products. However, as an analysis shows, in the last few years the oil content of seeds and the content of sugar in sugar beets, of dry substances in tomatoes, and of starch in potatoes used for industrial processing have been lowered sharply and are growing slowly (see table).

Indicator	Growth dynamics throughout years, %		
	1971-1975	1981-1985	1986
Oil content of seeds:			
of sunflowers	45.8	46.9	44.2
of cotton	19.2	18.0	18.7
Content of sugar in factory sugar beets	16.4	15.8	16.2
Content of dry substances in tomatoes used in the canning industry	4.65	4.4	5.0
Content of starch in potatoes used in the starch hydrolysis industry	14	13	12-15 throughout zones

The expenditure of raw materials per unit of the final product depends on the quality of products during their processing. When the quality is lowered, the expenditure of raw materials and their losses increase markedly. For

example, when the content of sugar in factory sugar beets is lowered by only 1 percent (from 15 to 14 percent), to obtain 1,000 tons of sugar, up to 10,000 tons of raw materials will have to be processed. Throughout the

country with an annual output of 7 to 8 million tons of sugar the overexpenditure of sugar beets or technological losses total 6 to 8 million tons. In order to grow such a quantity of sugar beets with the yield of 241 quintals per hectare formed in 1985 it will be necessary to additionally cultivate them on an area exceeding 320,000 hectares. At the same time, the introduction into production of varieties and hybrids with a sugar content of not below 17 to 18 percent, as envisaged by the Food Program, will make it possible to additionally obtain up to 1 million tons of sugar with the same gross output of factory sugar beets.

Sugar beet harvesting at an early time, which is carried out in a number of oblasts in the RSFSR and the Ukraine, results in sugar losses. For example, in Kursk Oblast on 22 September 1986 a total of 81,000 hectares of sugar beets, or 43 percent of all the areas, were harvested and more than 1.7 million tons were gathered, while the need for plant operation with due regard for the standard 3-day stock for this period was 640,000 tons. Thus, more than 1 million tons of unripe sugar beets were dug out, which led to losses of more than 100,000 tons of the harvest.

For the purpose of improving sugar beet storage and processing techniques and obtaining other sugar substances, scientists at the All-Russian Scientific Research Institute of Sugar Beets and Sugar and at Voronezh University have developed an ion-exchange technique of sugar beet processing, which makes it possible, through a reduction in the losses of sugar in molasses, to increase its output. At the same time, domestic ionites applied in food and medical industries, whose output, however, does not meet the need for them, have been utilized. When sugar output increases by 1.5 to 2 percent, the sale of additional products at retail prices constitutes an amount making it possible to recover the expenditures on plant reconstruction in a year.

Scientific institutions have proposed methods of storing sugar beets at sugar plants, which significantly reduce their losses due to spoilage, and industrial techniques, which make it possible to improve sugar beet processing. Techniques of obtaining sugar substances in the form of crystal glucose and fructose from the starch of corn grain have been developed. The industrial output of glucose syrups has long been mastered by foreign firms. In our country, however, only corn syrup and glucose are produced and the production of glucose-fructose syrup is mastered. However, this work is carried out at slow rates.

It should be noted that as of last year positive shifts appeared in sugar beet production, the content of sugar in sugar beets accepted at plants rose by 0.4 percent, as compared with the average annual content during the 11th Five-Year Plan, and the areas of sugar beets cultivated according to intensive technology expanded. The unification of kolkhozes, sovkhozes, and processing enterprises in the USSR Gosagroprom makes it possible to more closely connect the interests of workers in

agriculture and at sugar plants and to make them directly dependent on qualitative indicators (content of sugar in roots, payment for sugar beets with due regard for the sugar content, and provision of incentives for farm and sugar plant collectives for the additional output of the final product—sugar). Sugar beet planting farms and the sugar industry are now preparing for a transition to new conditions of management with due regard for full cost accounting, self-support, and self-financing.

An improvement in the quality of oil seeds and of the oil produced from them is no less important a problem. The decree of the CPSU Central Committee and the USSR Council of Ministers "On Urgent Measures To Increase the Production of Oil Crop Seeds and Vegetable Oil" adopted in 1987 determined measures aimed at increasing the volumes of production of vegetable oil and an improvement in its quality. The point is that in the last 2 years the oil content of sunflower seeds has decreased and the production of oil from them has declined from 45.5 to 43 percent. Farms sow big quantities of lower-quality seeds. For example, in the RSFSR in 1985 by the beginning of sowing available substandard sunflower seeds comprised 16 percent and soybean seeds, 25 percent and in 1986, a total of 23 and 18 percent respectively. An acute shortage of early-ripening high-oil bearing hybrids and varieties of sunflowers, soybeans, and other oil crops is felt in production. However, the quality of vegetable oil depends not only on initial raw materials, but also on the technical level of the processing industry. The indicated decree envisages significantly strengthening the material base and its technical retooling, ensuring the production and delivery of the necessary machinery and equipment for the cultivation of oil crops according to intensive technologies and for the reconstruction of oil plants, establishing scientific production systems and a network of shops for processing oil seeds directly on kolkhozes, sovkhozes, and an inter-farm basis, and stimulating the growth of production volumes and improvement in the quality of oil crop seeds and vegetable oil.

Similar problems of improving the quality of initial raw materials will also have to be solved in starch hydrolysis and fruit and vegetable sectors of industry. For example, in starch hydrolysis production a decrease of 1 percent in the content of starch in potatoes increases the expenditure of raw materials per ton of finished output by an average of 7 to 8 percent. In a number of industrial zones starchiness has dropped from 15 or 16 percent to 12 percent. The utilization of industrial potato varieties with a 25- to 26-starch content makes it possible to lower the expenditure of raw materials to almost one-half. Breeders have developed such varieties. It is necessary to accelerate their introduction and to complete the organization of specialized raw-material zones of the starch hydrolysis industry and improvement in industrial methods and techniques of potato production and processing.

As can be seen from the presented examples, a reduction in losses and an improvement in the quality of agricultural products at all the stages of their movement—from production to the consumer—make it possible to significantly increase food resources to supply the population. Workers in all agro-industrial production links are faced with persistent work on actively drawing additional sources into the production of farm and livestock products on the basis of an increase in the yield from the production potential created in rural areas and an active transition to economic methods of management.

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### **Economic Restructuring Changes Developing Slowly**

18240010 Moscow *EKONOMIKA SELSKOGO KHOZYAYSTVA* in Russian No 9, Sep 87 pp 3-7

["Radical Restructuring of Economic Management—The Main Task of Our Times"]

[Text] The radical restructuring of the management of the national economy is the main task in implementing the strategic course developed by the 27th CPSU Congress with regard to accelerating the country's socio-economic development and to qualitatively renewing all spheres of life in Soviet society. The June 1987 Plenum of the CPSU Central Committee played an important role in developing the political policy for restructuring management, in developing the theoretical foundation of radical reform of the economic mechanism and in creating a specific program of action. All of these questions were brought up in the speech by the General Secretary of the CPSU Central Committee, M. S. Gorbachev, "On Party Tasks to Radically Restructure Economic Management," which he presented at the Plenum of the CPSU Central Committee on 25 June 1987.

The country is marching toward renewal. Life has confirmed the correctness of the course selected by the party: restructuring is a direct continuation of the matter of October and proof of the faithfulness to the revolution of Marxism-Leninism.

Renewal has begun in all spheres of social life. There has been a tendency to increase the pace of national economic development. There has been a noticeable change in social consciousness. Moral-psychological circumstances are changing, and the country's spiritual life has been rejuvenated. An extensive political victory consists of the fact that there was a decisive turn in the democratization of society.

At the June 1987 Plenum of the CPSU Central Committee tasks such as supplying the people with food, housing, consumer goods and services were included among the priorities. We have already gained experience and specific positive results.

The country has entered the most difficult period of restructuring—the period of practical matters. Our main goal now consists of moving the center of gravity in order to begin painstaking and special-purpose work to carry out the decisions that have been made.

The course of restructuring attests to the fact that the necessary changes are still being carried out slowly. The time has come to make demands of those who through their inactivity hinder the implementation of urgent transformations.

The radical restructuring of economic management must be directed at the reorientation of growth from intermediate to final and socially-significant results, to the elimination of a deficit, to transforming scientific-technical progress into the main factor of economic growth and to the creation of a dependably-functioning counter-expenditure mechanism.

The essence of reform is the transition from primarily administrative to primarily economic management and to the activation of the human factor in every way possible.

What does the restructuring planned by the CPSU Central Committee include? Above all, this includes the expansion of the independence of associations and enterprises, their transition to complete cost accounting, an increase in responsibility for the highest end results, the fulfillment of obligations to consumers, the establishment of a direct relationship between the level of income of collectives and the effectiveness of their work, and the extensive development of collective contracts in labor relations.

Further, this involves the radical transformation of the central management of the economy, the improvement of its qualitative level, focus on the main questions and a decisive liberation of central organs from interference in the operations of lower-standing economic links.

A cardinal reform—planning and price formation, finance and credit—the management of material-technical supply and scientific-technical progress, labor and social processes is planned. It is intended to create new organizational structures which will achieve increased thoroughness of specialization and the dependability of relations involving cooperation and the integration of science and industry.

Restructuring includes the transition from an exceedingly centralized command management system to a democratic one. It also includes the development of



self-management, the activation of the potential of the human personality, and a radical change in the style and methods of operations of party, soviet and economic organs.

How should we create, on a socialist foundation, more powerful stimuli of economic, scientific-technical and social progress than those found in capitalism? How should we combine plan management and the interests of the individual and the collective? These questions were discussed at the plenum. The key to creating such stimuli lies in providing the working man with the status of a genuine manager at his work place, in the labor collective and in society in general. We must proceed from the fact that the interest of the worker as the manager of production is the strongest interest and the most powerful force for accelerating socio-economic and scientific-technical progress.

It has been determined that the radical transformation of the economic mechanism should begin with the basic link—enterprises (associations). After all it is here that the main social process develops—products are created through the labor of people and scientific-technical thought materializes. Here economic and social relations develop realistically and the interests of people—personal, collective and social—become interwoven. The success of restructuring in general depends on how we will change the course of matters within the basic link. This is why we must, first and foremost, create a more favorable environment for the enterprise, secure its rights, increase its responsibility and on this basis carry out radical changes in the operations of all higher-standing management links. We are talking about an effective economic mechanism that is at the same time simple and comprehensible to every worker. Its basic features are reflected in the Law on the State Enterprise (Association).

Our intention is that the plan for the production and sale of products will be developed by the enterprise itself on the basis of public need and solvent demand. The interests of society are guaranteed through state orders. As for achieving balance, control figures will be made use of, but they must be initial data for plan development and not directive in nature. In connection with this there will be a sharp increase in contracts in planning, evaluation and material stimulation of the operations of enterprises, and this presupposes the strengthening of the mutual responsibility of the client and the producer.

The enterprise is being given full responsibility for the utilization of resources allocated to it; the level of income of workers is placed into direct dependence on the end result. All ongoing expenditures are covered by means of earned capital, including wages and a one-time contribution toward expanding and renovating production. The government is not responsible for the obligations of the enterprise. Budget financing is as a rule excluded. At the same time extensive possibilities are made available for the responsible utilization of bank credit. The coordination of general national interests

and the interests of the collective is achieved through a system of economic norms. All operations of the enterprise are built on a cost accounting foundation.

The most important element in the new economic mechanism is self-management of the labor collective. This is a powerful stimulus for demonstrating the initiative and independence of workers. We must liberate collectives from excessive guardianship and control.

It is planned to lend new quality to centralized management. Centralized management will concentrate attention on those question which can actually be solved centrally.

The development of a new system of price formation is an integral part of the restructuring of the economic mechanism. We are talking not about a partial improvement in the price system but about radical reform.

The restructuring of material-technical supply is exceptionally important. The basic direction in this matter is the decisive transition from funding to wholesale trade. State organs of material-technical supply must retain the functions of balancing resources, regulating wholesale trade and control over this trade. Experience shows that the transition to self-financing sharply decreases demand for the means of production and for this reason the possibility arises to standardize reserves of commodity stocks. Meanwhile, in industry, agriculture, building, transportation and communication alone over 300 billion rubles of such reserves have been saved.

The center of gravity in the work of USSR Gosplan will be shifted toward solving the principle tasks of economic and social development and toward achieving global balance in the national economy. In connection with this it is planned to radically transform the structure of USSR Gosplan after having strengthened its consolidated subdivisions, social direction and scientific-technical and regional services. The entire structure of USSR Gosplan will be coordinated with the functioning of the permanent organs of the USSR Council of Ministers.

The territorial aspect of management has special significance for our country. Through it we achieve the multifaceted, equivalent progress of all our country's nations and nationalities. Experience convinces us that the most important thing is to find an organic combination of branch and territorial management and at the same time to clearly delineate its objectives and functions.

The Plenum of the CPSU Central Committee gave special attention to the social aspects of management. The most important task is to create powerful systems of incentives which will urge all workers to labor fruitfully and to utilize production resources more effectively. Collective contracts and other progressive forms of labor organization and incentives correspond more to the new economic mechanism. As practical experience shows, the transition to standardized methods of developing

wage funds, the right given to enterprises to raise pay rates and salaries using their own resources, to establish supplements to them and to pay supplementary bonuses—all of this encourages the stimulation of labor and interests a smaller number of workers in work. Concern for the individual and about his working and living conditions and social development must become a serious matter for the directors of all ranks and first and foremost directly in enterprises and associations. Labor incentives depend to a large degree on the saturation of the market with various consumer goods and services.

The June 1987 Plenum of the CPSU Central Committee passed a resolution on the question under discussion and confirmed the "Basic Resolution on Radical Restructuring of Economic Management" proposed by the Politburo of the CPSU Central Committee. This document contains both theoretical and specific directives on the creation of a new management system.

The plenum approved a draft, reworked with a consideration of national discussions, of the Law on the State Enterprise (Association), which was examined and confirmed by the 7th Session of the USSR Supreme Soviet.

The central idea permeating this document is that the new economic mechanism should create production and social conditions for the vital activity of labor collectives and stimuli for their development that will spur the enterprise to fulfill its main task—that of satisfying the needs of the national economy and the population in every way possible for necessary products, and of producing these products with the smallest expenditures. Herein lies the logic and sense of the USSR Law.

Everything that is new that the USSR Law introduces into the life of the collective, and the entire system of incentives which interests the collective in the results of labor, are integrally tied to the systematic introduction of cost accounting and self management. From now on an enterprise's production and social development will depend directly on the results of its operations and on the capital earned by the labor collective. This will provide a powerful impulse for the development of people's initiative.

A new economic category—cost accounting income—is being introduced into practice. It will become the basic source of wage payments and material incentives, the fund for production, science and technological development and the social development fund. This means that the striving to increase profits or income through operations must awaken labor collectives to economic management of enterprises, to increasing labor productivity and production quality and to a sparing utilization of all resources.

Under the new conditions enterprises will have to seriously study the market and win consumers while constantly maintaining a high technical level and quality of products. Otherwise they will not earn the capital needed for industrial and social development and for reimbursing labor. This

makes economic contracts the most important instrument for formulating the plan because it is in these that all of the consumer's demands regarding make-up, quality and delivery schedule are included. Under the new conditions, the precise fulfillment of mutual obligations, the strengthening of direct ties and conscientious partnerships become, figuratively speaking, a code of honor for labor collectives. Under the new conditions the enterprise will not be able to function successfully without drawing on scientific-technical progress.

The Law on the State Enterprise (Association) foresees all of the necessary rights for an enterprise's successful work but it cannot be just without the inclusion of obligations and of responsibility for the socialist property that has been entrusted to the collective and for observing the interests of the workers, the society and the state.

At the plenum there was a discussion about a more widespread use of various integration processes not limited by some kinds of uniform schemes. Such experience does exist. Agroindustrial combines operate successfully. In the Baltic States, Belorussia and the Ukraine agrofirms are showing high results; in Moldavia, Georgia, Stavropol Kray and Omsk Oblast associations for the production, processing and sale of fruit and vegetable, poultry and other products are operating effectively. The first confident steps have been taken in the direction of integrating agriculture and the processing industry as well as product sales. As a result mutually-advantageous conditions have appeared which interest kolkhozes and sovkhoses in increasing the output of the end product and in improving the product's consumer qualities, and on this basis there is an improvement in supplying the population with food by using local resources.

At the current stage, objective conditions have been created, it was emphasized at the June 1987 Plenum of the party's central committee, to strengthen growth in agricultural production output. The opportunities for radical changes exist in all kolkhozes and sovkhoses. But we must decisively stop those who continue to interfere in the work of kolkhozes and sovkhoses without having the responsibility to do this and bring to order those who cannot part with previous management methods.

By altering the system for planning contributions to the union-republic fund the interest of republics, krays, oblasts and rayons in increasing agricultural production output has been encouraged, but at the same time there has been a growth in the responsibility to supply the population with food. This gave initiative a powerful push locally. There are fair results in places where the significance of the changes was understood rapidly and really and where the new opportunities were appreciated.

A considerable amount has been done on the basis of local initiative not only in order to increase agricultural production output but also to develop the food industry. Why is it, let us say, that in Uzbekistan, the Kirghiz SSR, Tajikistan and the Turkmen SSR with their rich raw

materials resources, 25-50 percent of confectionary items are imported from other republics? Only 30 percent of Kazakhstan's canned fruits and vegetables come from local sources, the remainder are imported.

The question of organizing the transportation, storage and processing of agricultural raw materials is being put resolutely. In 1986 the enterprises of USSR Gosagroprom [State Agro-Industrial Committee], USSR Minrybkhos [Ministry of the Fish Industry] and USSR Minkhleprodukt [Ministry of Grain Products] did not utilize 450 million rubles that were allocated for the development of the processing branches. The building plan for these branches has not been fulfilled by the majority of union and autonomous republics, krais and oblasts. It turns out that we will continue to damage the products for which we are struggling because there is a shortage of transportation, storehouses and processing capacities in enterprises, and we will begin to replace losses through imports. We cannot remain indifferent to such phenomena.

The plenum emphasized that there are real possibilities in the next 2-3 years to seriously improve the food supply. Life provides educational examples attesting to the great reserves which exist everywhere. Numerous facts speak of breakthroughs in labor productivity as well as in the pace of growth of agricultural production. This was proven by the recently-created intensive-labor collectives which have been given land and other means of production for a long period of time. In 1986 such collectives produced a per capita average of 700-800 tons of grain, and total production of 70,000-100,000 rubles and more. Unfortunately, there are still few such collectives. Family contracts are also being disseminated inadequately although the effectiveness of these forms of labor organization and of wage payments is fairly high.

It is a task of great importance to transform the program of the revolutionary restructuring of management of the national economy, as approved by the June 1987 Plenum of the CPSU Central Committee, into a real working system within a shortened time frame. Great efforts, painstaking organizational, political and economic work and precisely coordinated operations by all management echelons are required in order to implement all that has been planned. The plenum materials must be studied in detail and thoroughly.

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**Call for Strengthening of APK Financial Mechanism**  
18240008 Moscow *EKONOMIKA SEL'SKOGO*  
*KHOZYAYSTVA* in Russian No 9, Sep 87 pp 31-39

Article by V. Semenov, USSR Deputy Minister of Finances: "Improvements in Financial Mechanism of Agro-Industrial Complex"]

[Text] The agro-industrial complex, which includes the totality of branches which ensure the production, processing and storage of agricultural products and also

logistical support for agriculture, creates more than 30 percent of the gross social product. One third of the country's productive capital and work force is concentrated in it. The APK [agro-industrial complex] produced, in terms of marketable resources, more than 70 percent of the country's retail goods turnover in 1986.

The kolkhozes, sovkhozes and other enterprises and organizations of the APK added approximately 50 billion rubles to the budgetary income in the form of withholdings from profits, income tax and turnover tax. At the same time, large-scale material and financial resources are being allocated for developing the APK. In 1986, 103 billion rubles were allocated for APK development and for compensating for the differences in prices.

Decisions handed down during the May (1982) Plenum of the CPSU Central Committee created the conditions required for improving the kolkhoz and sovkhoz economies: the purchase prices for agricultural products were raised by 6.2 billion rubles and mark-ups for these prices were established for low-profitability and unprofitable kolkhozes and sovkhozes in the amount of 9.8 billion rubles; 3.3 billion rubles are being allocated annually for financing the construction of cultural-domestic installations and maintaining them, for the construction of intra-farm roads and also for covering the insurance payments of kolkhozes which operate under poor natural-economic conditions; the bank loan indebtedness of economically weak farms in the amount of 9.7 billion rubles was written off at the expense of the union budget and similar indebtedness in the amount of 11.1 billion rubles was deferred for 10 years, with repayment to commence in 1991.

All of these measures have had a positive effect with regard to increasing the production of agricultural crops and raising profits and production profitability. In 1985 the kolkhozes and sovkhozes earned 21 billion rubles worth of profit and the profitability level was 19 percent. It bears mentioning that this profitability was lower by three points than the figure computed for 1982, when the establishment of new prices was based upon the actual production costs for 1979-1981.

At the same time, owing to the incomplete nature of the administrative structure of the agro-industrial complex at the union and republic levels, the required degree of integration of agriculture with the processing industry was not achieved and substantial changes were not realized in the economic mechanism for interrelationships among the kolkhozes, sovkhozes and service organizations. As a result, use was not made of the reserves available for increasing the production of agricultural products and raising the profitability of kolkhozes and sovkhozes. Many farms continue to operate on an unprofitable basis despite the establishment for them of mark-ups for their purchase prices. In 1985, 9 percent of the kolkhozes and 22 percent of the sovkhozes were unprofitable. The overall amount of losses amounted



to 3 billion rubles. In 1986, despite an increase in the amount of profit to 25.4 billion rubles and raised profitability, 6,400 kolkhozes and sovkhozes continued to operate on an unprofitable basis.

At the beginning of 1987, the bank loan indebtedness of kolkhozes, sovkhozes and inter-farm agricultural and industrial enterprises of the APK exceeded 200 billion rubles. Outstanding indebtedness of 74 billion rubles had been deferred until the period 1988-2000. This indebtedness was formed mainly prior to 1984, that is, prior to the purchase prices being raised and the establishment of budgetary financing for the planned expenditures of economically weak kolkhozes, although even after the purchase prices were raised it increased by 10 billion rubles over a period of 4 years. As a result, the enterprises and organizations of the agro-industrial complex entered the 12th Five-Year Plan with serious financial problems.

The solutions for the tasks raised during the 27th CPSU Congress, with regard to accelerating the country's socio-economic development, requires improvements in the work of enterprises and organizations of the agro-industrial complex, further improvements in the entire economic mechanism, an expansion in independence and an increase in the responsibility of kolkhozes and sovkhozes for their operational results. Large-scale measures in this direction are presently being undertaken in conformity with the decree of the CPSU Central Committee and the USSR Council of Ministers entitled "Further Improvements in the Economic Mechanism for Management in the Country's Agro-industrial Complex."

It should be emphasized that restructuring of the economic mechanism for management in agriculture is being carried out mainly at sovkhozes. The organization of cost accounting at processing enterprises remains practically without any change whatsoever. Shortcomings in the planning of profit and in its use and in interrelationships with the budget have placed the processing enterprises of the APK in a grave financial situation. In addition, it should be added that the creation of USSR Gosagroprom [State Agro-industrial committee] and its organs in the republics, oblasts and rayons has resolved, and then not completely, only the organizational problems. With regard to the integration of the agricultural and processing enterprises, it remains at its former level — each enterprise has its own interests. Certainly, the law governing a state enterprise (association) sets forth the rights of enterprises and organizations in the use of gross income and their interrelationships with the budget. However, in the process there must be common interests among the kolkhozes, sovkhozes and processing enterprises in achieving high final results. The earnings from the sale of agricultural products to the population, used for compensating for the expenditures required for their production, transporting, storage, processing and sale and the formation of profit appear as just such a result for the kolkhozes, sovkhozes and processing enterprises.

The conversion of enterprises over to genuine cost accounting pushes into the foreground the problem of achieving expanded reproduction through the use of

internal resources. As a result of this, the limits with regard to the use of surplus product directly by an enterprise are extended. Thus, cost accounting as a managerial method for socialist enterprises includes compensation for production expenditures and expanded reproduction through the use of internal sources, that is, self-financing. At the same time, cost accounting obtains a final form — it becomes complete. With complete cost accounting there is a merging in the circulation of resources for simple and expanded reproduction. The interest of enterprises is expressed not only in loss-free operations but also in obtaining the profit needed for expanded reproduction and the formation of economic incentive funds.

The system of measures for improving the managerial mechanism includes production planning, the sale of products, labor questions, finances, credit and the presentation of great operational independence to enterprises. Not one of these problems can be viewed separately or apart from other factors.

Profitability and profit must serve as the basis for work by enterprises. At the same time, the organization of cost accounting, finances and credit must exert an active influence on production.

The relative economic separation of socialist enterprises under the conditions of complete cost accounting and self financing, when by means of earnings from the sale of products (work and services) an enterprise is able to pay for its material expenditures, fulfills its obligations with regard to the budget, banks and higher organs and ensures wages for the collective and expanded reproduction, greater importance is attached to the question of basing prices both upon the logistical resources purchased and upon the products sold. In the process, the purchase prices for agricultural products must be viewed together with those financial-credit categories which constitute the economic mechanism of management.

The purchase prices for agricultural products produced by kolkhozes and sovkhozes are based primarily upon the actual expenditures. In price formation practice, it was not so much the establishment of new purchase prices, but rather it was an increase in them as a result of changes in expenditures, changes which occurred as a rule owing to growth in the wages of kolkhoz members or sovkhoz workers or in the interest of stimulating and increase in the production of individual types of products. With regard to the mechanism for immobilizing differential income, for all practical purposes it is not associated with the quality of the land. When raising purchase prices following expenditures, use is inevitably made of differentiation, that is, the average prices are established at the macro-level, while almost no individual purchase prices existed at the micro-level for the kolkhozes or sovkhozes.

The expenditure mechanism for management and an excess of investments over output yield are rejected both by international practice in agricultural development and by the work of leading kolkhozes and sovkhoses throughout the country, which despite connivance and parasitism observed on a majority of farms, continued to count their money. Compared to 1965, gross agricultural production in 1985 increased by a factor of 1.7, wages — by 2.6 and the fixed capital of kolkhozes and sovkhoses — by a factor of 5.8.

The practice of mark-ups being added on to prices has been converted into a subsidy for kolkhozes and sovkhoses, regardless of their profitability, production potential or labor organization. During the 1983-1986 period, bonuses added on to prices were paid out to two thirds of all of the farms. A review of the lists of farms revealed only that some farms had been excluded and others included on the lists. In Kalinin Oblast, for example, 88 percent of the kolkhozes and sovkhoses receive bonuses and in Penza Oblast — 93 percent.

The desire on the part of republic and oblast Soviet agro-industrial organs to retain the amount of bonuses led to a situation wherein many high income farms with a profitability of 40-60 percent are continuing to receive mark-ups added on to their purchase prices for agricultural products sold to the state.

The bonuses added on to purchase prices are temporary in nature. Through the carrying out of organizational measures and strengthening their logistical base, a majority of the kolkhozes and sovkhoses are able to operate profitably in the absence of bonuses being added on to the prices. However, a serious problem arises in connection with achieving a profitability level for agricultural production that conforms to the planned rates for procurements of agricultural products during the 12th Five-Year Plan. If the bonuses added on to purchase prices were to be abolished, the profit of kolkhozes and sovkhoses, in the absence of cardinal measures being implemented aimed at raising production efficiency, would decline by 40 percent. In this regard, it is our opinion that the payment of mark-ups should gradually be reduced, thus stimulating the kolkhozes and sovkhoses towards production intensification.

The development of purchase prices is inseparably aligned with the stimulating role they play. In the case of purchase prices that are conditioned by the free action of the law of value and market conditions, no problem arises in connection with the stimulating role played by a price. These functions are manifested in the event of directive establishment of prices or documents which restrict their free manifestation, for stimulating producers towards increasing production or maintaining a profitability level for the producers of goods in the case of reproduction.

The payment of a 50 percent mark-up added on to purchase prices commencing in 1965, for the sale of products over and above the plan and, commencing in

1981, for surpassing the average annual sales level achieved during the preceding five-year plan, were in pursuit of two mutually related goals: to carry out additional investments in agriculture and to stimulate an increase in the sale of agricultural products to the state. Moreover, the additional investments were carried out not directly but through a payment for additional output at raised prices. This was a sensible measure from an economic point of view. During the years of the 11th Five-Year Plan alone, the kolkhozes and sovkhoses were paid 27 billion rubles in the form of mark-ups added on to purchase prices. In order to stimulate an increase in grain procurements during the 1986-1990 period, mark-ups in the amount of 100 percent will be paid to the kolkhozes and sovkhoses upon the condition that they fulfill their purchase plans.

At the same time, the payment of mark-ups cannot endure serious criticism either from a theoretical or practical standpoint. When increasing or decreasing the production of crop husbandry products, their value remains unchanged, despite the fact that the price for a unit of product will vary. However, in the case of directive, that is, unchanged prices, the value of the total amount of products produced strangely enough increases or decreases. An important conclusion derives from this — when increasing production, an increase takes place in the earnings from the sale of products, both by means of raised volume and the payment of mark-ups and where there is a decrease in production, a direct reduction in payments to sovkhoses and kolkhozes for products takes place.

It bears mentioning that in 1958, during the reorganization of the MTS [machine and tractor stations], an attempt was made to create a transitional fund for regulating the purchase price levels depending upon the cropping power for the agricultural crops. However, this idea was not further developed, since the mentioned fund was created by reducing the overall payments to kolkhozes for products the level of which was not sufficiently high.

The payment to kolkhozes and sovkhoses of mark-ups added on to the purchase prices, for having surpassed the achieved level (over-fulfillment of the plan), disrupted the basic principles for price formation and did not eliminate the differentiation in the profitability levels of farms operating under different natural-economic conditions. Naturally, a question arises in this regard concerning the abolishment of the purchase price mark-ups and the establishment of scientifically sound purchase prices for agricultural products sold to the state by kolkhozes and sovkhoses.

The expenditure mechanism for developing the purchase prices for agricultural products, assuming stable retail prices for food products, led to an excess of state expenditures for the purchasing, transporting, processing and sale of animal husbandry products (Table 1, 1985).

Table 1: Retail Prices and State Expenditures Per Kilogram of Animal Husbandry Product, in rubles

	Poultry	Beef	Mutton	Pork	Whole Cream	Milk Butter
Average retail prices	2.57	1.75	1.42	1.84	0.25	3.38
State Expenditures	2.92	5.42	4.86	3.51	0.45	8.43
Including budgetary payments through a special account for regulating the difference in prices	1.13	4.03	3.31	2.12	0.30	6.30
Excess of state expenditures over retail prices	0.35	3.67	3.44	1.67	0.20	5.05

A state subsidy for the production and sale of products is conditioned by retail price stability and by changing conditions for agricultural production. At the same time, it must be recognized that it comes about as a result of unsound growth in the production costs for agricultural crops. As a result of the establishment of purchase price mark-ups in an amount up to 75 percent at many kolkhozes and sovkhoses, the production cost for 1 kilogram of beef reaches up to 7-8 rubles and for milk — 60-70 kopecks. On some farms, the production costs exceed by several times the retail prices. Hence the creation of prerequisites for the production of goods on some farms, where the expenditures are considerably higher than average, only stimulates a clearly expressed expenditure mechanism. Purchase price mark-ups appear in the role of an index for existing production expenditures for certain types of products on individual farms.

An excess of state expenditures for the procurement, transporting, processing and sale of agricultural products

is reimbursed from the state budget by means of direct financing of the purchase price mark-ups from the budget and through so-called accounts for regulating the differences in prices.

The requirement for compensating for the difference in prices through a regulatory account arises in connection with differentiation of the purchase prices and the establishment of mark-ups for them for an excess in the level achieved; a difference in delivery distances and changing volumes in the products purchased; shortcomings in price formation; an excess of actual state expenditures for the purchasing and transporting of products above expenditures in retail prices. Reimbursement for the difference in the first three instances is not direct subsidizing. With economically sound accounting prices, the budget merely regulates the cost accounting activities of procurement organizations and industrial enterprises. Reimbursement for the difference in the latter case constitutes direct subsidizing for purchases of agricultural products.

An increase in purchase prices, with stable retail prices, is accompanied by an increase in appropriations for compensating for the difference in prices for purchases of agricultural products (Table 2, billions of rubles).

Table 2: State Appropriations for Compensating for Difference in Prices

	1960	1965	1970	1975	1980	1985	1986
Meat and poultry	1.4	2.8	8.8	12.2	14.0	26.6	27.8
Fish	0.1	0.1	0.2	0.2	0.2	2.1	1.8
Milk	-	-	2.1	4.0	7.5	18.9	19.2
Grain	-	0.3	0.8	0.6	0.8	4.4	4.4
Potatoes, vegetables, canned goods	-	-	0.2	0.7	1.4	3.0	3.7
Sugar	-	-	-	-	-	1.0	1.2
Total	1.5	3.2	12.1	19.7	23.9	56.0	57.9
In % of state budgetary expenditures	2.1	3.2	7.8	9.2	8.1	14.5	14.0

In essence, reimbursement for the difference in prices for food goods represents additional payments to the population for food products, despite the fact that it is caused to a certain degree by high production expenditures. In 1985, the subsidy from the budget for 1 ruble of retail goods turnover in food products amounted to 35.3 kopecks, compared to 17.4 kopecks in 1980 and 3.5 kopecks in 1965.

Unprofitable production operations and the sale of bread, sugar, potatoes, vegetables, meat, fish, milk and dairy products are distorting the structure of retail goods turnover and the monetary income of the population, they are levelling off the wages of workers and they are lowering the incentives for raising labor productivity. Although subsidies issued to the population for food

products constitute for all practical purposes a public consumption fund, they are nevertheless not being distributed in conformity with the quantity and quality of work being performed, but rather in keeping with the possibility of these products being acquired by individual categories of the population in various regions of the country. At the same time, subsidies to a considerable degree attach a conditional aspect to cost accounting operations at kolkhozes, sovkhoses and at procurement and processing enterprises of the agro-industrial complex. A persistent need has arisen in this regard for carrying out a reform in both the purchase and retail prices and, beyond any doubt, with no reduction in the standard of living for the population or in the income of kolkhozes and sovkhoses.



Subsidies are also being granted for tractors, combines, agricultural machines and mineral fertilizer sold to kolkhozes and sovkhozes. The sale of logistical resources at standard prices which do not reflect the true expenditures for their production disrupts the direct economic relationships between the producers and consumers. In 1986, the appropriations for these purposes amounted to 5.2 billion rubles. Moreover, in the case of agricultural equipment 25 percent of the wholesale price of industry was reimbursed and for mineral fertilizer — 34 percent. The sale of tractors, combines and agricultural machines, similar to other means of production, must be carried out in accordance with the wholesale prices of industry.

The abolishment of purchase price mark-ups for agricultural products and the sale of equipment and mineral fertilizer to kolkhozes and sovkhozes at the wholesale prices of industry will disrupt the equivalence in interrelationships between agricultural and industry and give rise to uninsured bank loan indebtedness. In this regard, agriculture will have to be compensated for a large portion of these expenditures and obviously by means of the prices for the agricultural products. As a result of such a raise in the purchase prices, an increase will take place in the difference between the purchase and retail prices reimbursed from the budget.

The organizational structure of the APK must first of all unite the interests of the producers and procurement specialists. This is being held up to some extent by various systems for stimulating increased production and better quality output and by differences in the standards for initial raw materials and the finished products. It is our opinion that improvements in price formation for agricultural products must first of all follow the path of establishing prices on a scientific basis, thus ensuring anti-expenditure and cost accounting operations by agricultural enterprises. Secondly, the interests of the producers and procurement specialists must be united. Thirdly, the degree of budgetary regulation of reproduction, both in agriculture and in procurement and processing organizations and enterprises should ideally be reduced. Fourthly, state expenditures for purchases of agricultural products should be reduced.

The relationships between the producers and the primary consumers of agricultural products, that is, the procurement organizations and processing enterprises, must conform to the anti-expenditure structure of the purchase prices. The organizational structure of the APK and the creation of the USSR Gosagroprom system make it possible, from top to bottom, to convert over to paying for the final product (sugar, vegetable oil, cotton fiber, mixed feed and others). Unilateral privileges for the producers or for the consumers are undermining the economic relationships between them and bringing about willful administrative solutions for the financial difficulties that arise, for example, difficulties such as the losses of sugar plants which carry out their operations under the conditions of a large-scale experiment or cotton processing enterprises. The system of budgetary

regulation of the difference in prices leads to conventional cost accounting operations in procurement organizations and processing enterprises and to a counter flow of monetary funds — payments into the budget in the amount of 7 billion rubles.

In order to strengthen cost accounting operations in procurement organizations and processing enterprises, a change is needed in the existing system for budgetary payments to cover the expenses involved for delivering grain and other agricultural products to procurement points and processing enterprises. In the interest of reducing the expenditures required for delivering and protecting agricultural products, it is obvious that the acceptance of such products should be carried out directly at the kolkhozes and sovkhozes. At the same time, the accounts for grain deliveries should ideally be applied to the operational results of the procurement organizations and processing enterprises.

The expenditure mechanism for management, stimulated both by purchase prices and by various types of mark-ups and additional payments, has produced a sharp disparity between the socially needed expenditures for agricultural output and the payments for it. In 1985, in the payments to kolkhozes and sovkhozes for agricultural products, the appropriations from the budget for compensating for the difference between the purchase (including various types of additional payments, mark-ups and delivery expenses) and accounting prices amounted to 55 percent. Certainly, with stable retail prices this subsidy is to a large degree a social consumption fund. But what type of subsidy for the population are we discussing if the payment with various mark-ups for individual low-profitability farms, for 1 kilogram of beef, amounts to 10-12 rubles for a retail price of 2 rubles and average payments of 5 rubles.

In this regard, the purchase prices developed taking into account the production potential of kolkhozes and sovkhozes must reflect the average production conditions. During the current five-year plan, a direct subsidy according to a regressive scale may be retained for some low profitability farms for compensating for losses sustained in the sale of animal husbandry products. The establishment of purchase prices based upon very poor conditions would result in the unproductive use of labor in agriculture and a sharp increase in these prices and in payments into the budget.

This forces the conclusion that the purchase prices for agricultural products must be established based upon the production potential of the kolkhozes and sovkhozes. However, such an approach, while recognized as having the most objective basis, would result in individual or group prices, the criteria for which would be the average production potential by regions of the country, with the farm specialization taken into account. Here we inevitably reach the same expenditure doctrine for developing prices based upon the worst production conditions.

Where will farms which have at their disposal a production potential that is higher than average for a rayon, but which carry out their production operations in an inefficient manner, find a source for the means for reproduction? This vicious circle in which the economies of many kolkhozes and sovkhozes reach a deadlock must be eliminated. Kolkhozes and sovkhozes which are utilizing their production potential in an inefficient manner must have a wage fund for labor and a fund for the expansion of cultural-domestic construction. Purchase prices must become an instrument for the efficient management of a farm, one which meets the requirements for an economy of the intensive type.

A strengthening of cost accounting principles and a conversion over to self-support and self-financing require a review of existing views concerning budgetary financing for a number of measures in agriculture, such as construction at sovkhozes, land reclamation, applications of peat and lime and the maintenance of aquicultural organizations. A conversion over to genuine cost accounting and self-financing must include the establishment of economically sound purchase prices for agricultural products, which will ensure expanded reproduction in agriculture.

Kolkhozes, sovkhozes and other APK enterprises carry out expanded reproduction and the construction of installations of a non-productive nature using as a rule internal resources and bank credits. Budgetary appropriations for agricultural enterprises are allocated mainly for expenditures for further developing the logistical base, in the interest of increasing the production of agricultural products and solving social problems.

The appropriate amounts by years of the 12th Five-Year Plan were determined based upon the 1986 plan, with growth in gross output, the capital investment volumes for the respective years and increases in the proportion of internal resources for production development being taken into account. For the most part, internal resources are being used for production expansion at kolkhozes and sovkhozes, although the proportion of budgetary appropriations and state bank credits are rather high — 33 percent. In 1986, of the overall expenditure amount of 53.2 billion rubles for kolkhoz and sovkhoz development, internal sources amounted to 35.7 billion rubles, Gosbank credits — 5.2 billion rubles and budgetary appropriations — 12.3 billion rubles. The proportion of budgetary appropriations will decline as profitability increases. However, the new construction of large-scale installations, in conformity with the plan for the country's economic and social development, must be carried out by means of the budget.

Rayon agro-industrial associations have been granted extensive rights in connection with the use of budgetary appropriations for the development of sovkhozes and other enterprises and for solving those problems which are dictated by a need for increasing the production of goods and retaining personnel in the rural areas. This

implies that budgetary appropriations must be allocated to sovkhozes taking into account the growth in gross output, the capital investment volumes and increases in the proportion of internal resources for production development based upon production needs. Moreover, the allocation of appropriations must be dictated exclusively by interests concerned with realizing further growth in production and in purchases of agricultural products, with no subdivision by low profitability or high profitability farms. Regulation in the use of budgetary appropriations is maintained only for the financing of general farm measures (operational expenses).

For the purpose of maneuvering financial and material resources, rayon agro-industrial associations and other administrative organs of the agro-industrial complex are authorized to use, during the second half of the year, resources called for in the state plan for capital construction and not used by individual enterprises or organizations directly subordinate to them, for financing planning and construction- installation work and payments for equipment and machines. In the process, the internal resources of enterprises and organizations are not subject to redistribution.

USSR Gosagroprom, the gosagroproms of union republics, oblast agro-industrial committees and rayon agro-industrial associations have been authorized to redistribute the budgetary appropriations allocated for their use when such action is dictated by a production need, that is, budgetary appropriations over the course of a year's time can be increased for one item of budgetary classification and reduced for another, with no changes taking place in the amount of resources appropriated on the whole. Such changes are carried out for the purpose of achieving more efficient solutions for the problems concerned with production development. Changes are simultaneously carried out in the financial plan.

It bears mentioning that the organization of finances is slowly being reorganized at sovkhozes. Just as in the past, budgetary appropriations and internal resources for which there is a special purpose are being maintained in separate accounts, since all resources must be in circulation. Internal resources and budgetary appropriations are being accounted for in conformity with their purpose.

In addition to direct appropriations by kolkhozes and sovkhozes for planned measures, the state carried out a great amount of work for them in connection with land reclamation, it maintains aquicultural organizations and veterinary institutes, it carries out land management work and it wages a campaign against hailstorms. The state invested 49.8 billion rubles in land reclamation work during the 11th Five-Year Plan, including capital investments — 39.1 billion rubles, radical land improvements (peat and lime applications) — 5.1 billion rubles and the maintenance and repair of land reclamation systems — 5.6 billion rubles.

The carrying out of land reclamation work in behalf of the kolkhozes and sovkhozes is of great national economic importance. However, this work must be carried out on a strictly contractual basis and using farm resources. Certainly, the development of new land is excluded here. In this regard, a payment for water should obviously be established and a subsidy should be introduced for farms which operate under poor natural-economic conditions, for the carrying out of land reclamation work (repair of agricultural lands, peat and lime applications). It seems to us that the transfer of an intra-farm land reclamation network over to the balance of aquicultural organizations is not in keeping with the tasks for strengthening cost accounting or converting all farms over to a self-supporting and self-financing basis.

Naturally, a change in the system for financing these operations requires compensation for the kolkhozes and sovkhozes for the additional expenditures involved. Such compensation can be in the form of subsidies or increases in the purchase prices. In the process, the functions of the customer must be carried out by the agroprom organs, kolkhozes or sovkhozes. A concentration within the Ministry of Land Reclamation and Water Resources of the functions of the customer and contractor leads to a reduction in the effectiveness of land reclamation.

With further improvements in the economic mechanism of the agro-industrial complex and with the conversion over to truly complete cost accounting, self-support and self-financing, it will be necessary first of all to avoid stereotyped thinking with regard to price formation, financing, wages, the operational character of a socialist enterprise and its interrelationships with the state. Moreover, an increase must take place in the responsibility of local soviet organs for loss-free and profitable operations by enterprises and organizations and the fulfillment by them of their obligations to the state.

The sovkhozes are not limited in their use of internal resources. The profit left over following payments into the budget is used for expanding production and for the repayment of bank loan indebtedness in the amounts determined by the farm. Practically speaking, the distribution and use of profit are carried out in the same manner as with kolkhozes. Here the system for distributing profit was not borrowed from the kolkhozes, but rather a new mechanism was created both for the sovkhozes and kolkhozes, one which raises the interest and responsibility of the farms for obtaining and using profit.

The profit of industrial enterprises of USSR Gosagroprom is distributed in conformity with the system established for farms which operate under the conditions of a large-scale experiment. At the same time, the use of profit at these enterprises now has a number of features that are common to kolkhozes — use of profit for

above-plan capital investments, the formation of centralized reserve funds. The profit of cooperative-state and state-cooperative construction organizations is distributed practically in like manner as that for sovkhozes and kolkhozes.

In the expenditures for the production of agricultural products at kolkhozes and sovkhozes, expenses for wages amount to approximately 50 percent. The wages for workers according to rates for work carried out, with additional payments for products produced, cannot solve radically the problem raising the interest of workers in increasing output production. The majority of kolkhozes has converted over to guaranteed wages for kolkhoz members based upon sovkhoz norms and rates and for all practical purposes this represents a departure from the principal statutes of the Model Regulations for a Kolkhoz concerning wages based upon the final operational results of a farm. A collective contract plays an important and yet not decisive role in raising the interest of a collective in the final operational results of a kolkhoz or sovkhoz.

However, the operational experience of collectives operating on a contractual basis has shown that there are still many unresolved problems at sovkhozes. First of all, a contract has still not become the principal form for labor organization and wages. This would require that this form for labor organization and wages be legally adopted in place of wages for work carried out in accordance with rates and estimates. It is our opinion that the wage fund for a brigade must be determined based upon the existing rates and estimates for a planned volume of work, with additional payments for the planned yield of products. At the present time, in order to raise the interest of collectives in converting over to this form for labor organization and wages, the estimates for output are being developed based upon the level already achieved. As a result, the wage fund in brigades having low production indicators is being inflated unjustifiably and less interest is being shown in converting collectives which have achieved high crop yields and high animal productivity over to this form for labor organization and wages. The wage fund must be computed based upon those labor expenditure norms for the production of goods established by regions of the country. This will make it possible to encourage the work of collectives which achieved high production indicators.

The wages employed for kolkhoz members at a number of kolkhozes, depending upon the gross income, appears as newly created value or net output and does not produce the desired result. An increase in the plan for the gross income amount enables many kolkhozes to pay wages throughout the year using bank credits and internal resources in planned amounts. In such instances, the wage fund on the farms at the end of the year exceeds the amount of gross income obtained.

The essence of the entire problem lies in the fact that the effectiveness of wages based upon final results is dependent upon the amount of the fixed proportion in products sold and added monthly to the wage fund. This



question is of particular concern to kolkhoz and sovkhoz workers engaged in field crop husbandry operations and certain branches of animal husbandry, for example in sheep breeding, where an irregular output of products during the course of a year's time or just once annually. Here the relationships is as follows — the greater the advance payments, the less interest shown in the final operational results of the kolkhozes and sovkhozes and conversely. The amount of advance deductions obviously must not exceed the volume of operations planned in conformity with the technological charts, in accordance with the tariff rates and 80 percent of the official salaries for engineering-technical workers and employees. In our opinion, the final wage must be carried out by means of the profit.

At the same time, a radical change must be introduced into the Labor Code. Questions concerned with the hiring, discharge and number of workers must be resolved only by the collective of an enterprise. Regardless of the type of wage form employed, the payments for overtime, holiday and weekend work and wages can be computed for the amount of time worked or for the work carried out using the coefficients for labor participation.

Radical restructuring of the economic mechanism must include extending complete rights to a collective for disposing of its financial resources in the interest of production expansion.

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**New Type of APK Management Described**  
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[Article by A. Timkov, correspondent: "The Agrofirma Can Do Much"]

[Text] New forms of operating are arising during the radical reforms in national economic management now under way. In the agro-industrial complex there is great interest in the work of agro-industrial combines and associations, agrofirms and production (scientific-production) systems. In today's decree on urgent measures to accelerate solutions to the food question, the CPSU Central Committee recommends that party committees, soviet and economic organs thoroughly support and apply these promising formations. This will make it possible to accelerate the introduction of scientific-technical achievements and more closely integrate the production, processing, storage and sales of output, reduce losses and more quickly move products to customers.

*Selskaya Zhizn* continues to acquaint readers with work experience at the new formations. Our correspondent describes the Agrofirma imeni 25th CPSU Congress, operating in the Latvian SSR.

This agrofirma got its name from the Sovkhoz imeni 25th CPSU Congress, one of the republic's largest. It had the task of organizing a scientifically and technically based unified complex producing, preparing and selling agricultural products and high quality foodstuffs through the use of cost accounting and self-support [samookupayemost].

### Growing and Processing

A year is not a long time. However, the first results are evidence that there are many promises in this direction for agro-industrial integration. This is shown above all by processing units in the agrofirma. In addition to a sovkhoz specializing in animal products and vegetables, the firm includes a meat combine and dairy and canning plants. All of them were lagging technically and poorly organized. This led to frequent breakdowns and justified complaints by rural dwellers. The sovkhoz suffered more than its neighbors, its commercial output is steady, year after year it sells more than 5,000 tons of meat, about 10,000 tons of milk and 4,000 tons of vegetables. Also, other farms in Yekabpilsskiy Rayon send products to be processed. Thus, by improving work in its food processing unit, the firm makes it possible for many neighbors to live better.

The canning plant became part of the firm a month prior to the arrival of vegetables. The time for putting it in order was reduced to the minimum, but was sufficient. Designers worked in parallel with builders who built the foundations and buildings for equipment. Everything went into operation smoothly. The water supply was rebuilt and electrical equipment upgraded. The plant grounds were paved with asphalt. Fences and footpaths were built, putting an end to the free walking ways of pilferers. Equipment in shops was also upgraded and is operating reliably. The work of women, and they make up the majority of the collective, has become easier.

People are also happy about the plant having its own cafeteria. Previously, workers brought their own lunch bags, now there is a selection of main dishes and desserts. There is a takeout counter, where it is possible to purchase fresh, cucumbers, tomatoes, onions, marrow squash, eggs and other products for the family. Workers' earnings have increased. There has been a marked improvement in the plant's prestige, it already is experiencing an acute shortage of workers.

The half million rubles the firm allocated to the plant's reconstruction is being paid off many times. Production increased 20 percent and there has been a marked expansion in output. The firm has greater potentials for mastering innovations at the plant. For example, there is equipment for including meat in vegetable borscht. This promises to markedly increase demand for it. Without previous agreement, the firm allocated the plant the needed raw materials. Specialist calculations were justified: the innovation is successful.

The collective was prompted to orient itself towards consumer demand not only to give honor to the firm but also for strictly economic considerations. The transition to cost accounting required that cannery workers calculate expenses. Previously, when the plant was part of the Latgales Association it was difficult to put an end to losses, which amounted to 300,000 and more rubles annually. The enterprise was attached to suppliers which were often far away. Cucumbers hauled in from the south markedly increased the costs of final products.

After the firm's formation local raw materials have been used extensively. Obviously, it isn't easy to find cucumbers, tomatoes and other vegetables in Latvia. However, solutions were found. The firm signed contracts with owners of private subsidiary farms to grow onions, garlic, cucumbers and tomatoes. Even in this unfavorable year enough were purchased to fulfill plans.

This orientation made it possible for the plant to be profitable. According to preliminary calculations, the enterprise's net profit is at least 500,000 rubles. However, as the general director feels, this is only a beginning.

The plant has solid potential. Emphasis is mainly upon the mechanization of labor. A modern warehouse for finished products will soon be completed. It is intended to modernize the cannery line.

The mastery of new products is next. Scientists and designers are working on one of them, prepared spices. There are many in the republic: thyme, parsley, celery, dill, mint and other grasses. When dried they enrich our menu with needed vitamins and give dishes a pleasant aroma.

Firm specialists are also thinking about the external appearance of their products. Preparations are under way to produce canned goods with bright labels. L. Skost, the firm's general director says that the label, taste and price should attract customers.

#### Without Stopping Production

It has long been said that the Yekabpilsskiy meat combine is working at full capacity. Instead of 30 tons, each day more than 60 tons of livestock are processed. No safety valves are in sight: kolkhozes and sovkhoses are increasing meat production. The agrofirma is aware of this, and is rebuilding the enterprise, not stopping production for a single minute. They decided to expand cold storage capacity and build a shop, more accurately a section, for preparing smoked meats.

Again, the work was undertaken without snares. Specialists drew up plans for rebuilding the combine, while builders had already prepared the site and made necessary repairs.

N. Karelin, combine director, enumerated, "We installed a new conveyor for processing hogs, organized a section for preparing byproducts modernized existing cold storage units and fixed up side tracks. This helped meet animal husbandry workers' wishes — the unstrained increase in monthly schedules for processing livestock."

N. Karelin continued, "Next we will increase production capacity. A new, somewhat larger cold storage unit is being built. A new freezer will be built in a year. Its construction and the purchase and installation of equipment will cost the firm almost 2 million rubles. Then there will be no delays in receiving livestock."

This year the meat combine collective mastered four new types of products. Reconstruction, which improved working conditions, definitely contributed its bit. However, it was not alone. The introduction of cost accounting also created an interest in improving work results, something which was previously lacking. True, to some extent this is supported by the entire agrofirma. Under present procedures, processing enterprises transfer 90 percent of their profits to the budget. In spite of substantial improvements in the meat combine's work, its own incentive funds remain miserly. Last year other sectors in the firm transferred 60,000 rubles to the three processing enterprises. Economic support remains at about the same level. There is still no other way.

Although it is almost in the center of town, the dairy plant only supplies milk to the inhabitants. Other dairy products are hauled in 90 kilometers from Daugavpils. The firm has not put up with this waste. From its very first days it began to organize the production of dairy products for city and country dwellers.

A year and a half later cottage cheese and packaged sour cream made at the plant are appearing in the trade network. A short time later the production of sweet creamed cottage cheese and cream was organized. It took a long time to master the production of the first test batch of Malpilskiy cheese, which is in great demand in the republic. Cheesemakers in the German Democratic Republic are also interested in its recipe. Preparations have begun for ice cream production.

Mastering the new products made it possible for the firm to considerably reduce expenses. The plant's income is growing steadily. Profits over a 6 month period totalled 216,000 rubles, 63 percent of the annual plan. Whole milk product output was greater than intended.

The enterprise has big plans. Unfortunately, the potentials for modernization are minimal within the old walls. Therefore, a new plant must be built. It is rising right next to the meat combine. The two enterprises will have common energy systems, utilities, purification and other facilities. Incidentally, the agrofirma management had to advocate a more economical construction alternative, departmental relations are tenacious.

### Common Interests Dictate

Incidentally, it would be completely incorrect to depict the processing enterprise workers as dependents, for whom entry into the agrofirma offered access to benefits from the strong kolhoz. They have now started contributing more to the common pot and are far from indifferent about how full it is.

Take production wastes, which had previously been quite a headache for plant workers. Now they are all delivered to sovkhos animal farms. Added to hog rations they make it possible to reduce concentrate use by 10 percent. Meat production at the agrofirma has increased by an equal amount. Also important is that a quintal of pork now costs the firm 10 rubles less.

A single thread links the interests of those who produce milk, raise livestock and produce and those who prepare these products for consumption. People learn to be responsible for the firm as a whole and to help one another. Processing enterprise workers now eagerly go out haying and harvesting. There are many such examples.

Joint holidays, recreation evenings and sports events help create common interests in the firm. The processing enterprises previously had very modest possibilities for such events. The sovkhos came to their help. The House of Culture has already become crowded. A new one will be built. In the meantime, there is enough room for all in the sports building. The swimming pool, which will soon be open, will meet the collective's needs.

Everyone with whom we talked affirmed that the new economic formation is showing its advantages in the processing sphere. In the agrarian sphere, however, its advances are hardly noticeable. There are now complaints about cadre and equipment shortages, repair facilities are good and the animal farms are in order. What is the matter? It involves the mastery of new qualities in developing the economy.

Crop production indicators (grain yields — 30 quintals per hectare, potato yields — 230-240 quintals) indicate that the superficial reserves have, for the most part, been exhausted. Thorough searches are needed to increase yields. Firm specialists and scientists are not the only ones searching for them. Animal husbandry workers are improving the techniques for keeping livestock. The first steps in this direction increased bull weight gain during feeding from 600 to 1,000 grams daily. By the five-year plan's end it is intended to increase milk output per cow to 4,000 kilograms, compared to last year's 3,746 kg. This is the minimum program.

The forthcoming transition to self-support and self-financing poses serious problems for the firm. At the present operating level the existing normatives for the transfer of processing enterprise profits to the budget will

not make possible the accumulation needed for expanded reproduction. Therefore they are more persistently looking for ways to increase their own incomes.

The agrofirma's plans include the production of dried egg yolks from broken eggs. Their production will bring substantial profits. There are thoughts about organizing subsidiary activities, in particular, making mittens. However, the main ways to raise incomes are to increase reproduction and reduce costs.

However, not everything depends upon the firm. It was given the right to trade, but with the stipulation that it only be in unprocessed products. Thus, even though they are above-plan, canned vegetables cannot be put on the shelves. It is good that it was authorized to sell bread baked in the firm bakery, but not grain. Because of limited turnover, the firm's two stores are small.

Take product quality. Under present economic conditions the firm is not interested in improving it — there is no price incentive. It is important to maintain standards, but now an item's taste and nutritional value is of no significance.

The agrofirma has shown its indisputable advantages. However, for it to use its potential further improvements are needed in the economic mechanism for operations.

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### Tikhonov Article On APK Draws Further Response

#### Economic Interests, Responsibility

18240018 Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 9 Sep 87 pp 94-98

[Article by M. Korobeynikov, senior scientific worker at the Scientific Research Institute of the Academy of Social Sciences of the CPSU Central Committee and Candidate of Economic Sciences: "Economic Responsibility Within the APK System"; For referenced article by academician Tikhonov, see JPRS REPORT: SOVIET UNION/ECONOMIC AFFAIRS, UEA-87-004, 12 Jun 87 p 43. For previous responses to Tikhonov article, see UEA-87-025, 1 Sep 87 p 53.]

[Text] Today the chief task with regard to improving the economic mechanism of the APK consists not of partially improving it, but rather achieving and implementing an economic strategy for the party in light of the requirements of the 27th CPSU Congress and the June (1987) Plenum of the CPSU Central Committee, based upon a further and radical reform of administrative control, planning, economic stimulation, the logistical supply system, financing and price formation. The formation of the APK [agro-industrial complex] as a single entity has brought about a need for developing economic managerial methods which will open up a new expanse for developing the productive forces of the country's



agro-industrial production and the initiative and independence of labor collectives and all personnel and it will promote an increase in their interest and responsibility for the final results. "But what does it mean to convert a workers into a true and active owner of public property?" such was the question posed during the June (1987) Plenum of the CPSU Central Committee. "It means that collectives and individual workers should be presented with broad opportunities for handling public property and that their responsibility for the effectiveness of its use should be raised." (1)

Economic and social relationships are truly developing in the labor collectives and the interests of people are becoming intertwined — personal, collective and public. The harmonization of these interests and their orientation towards achieving the final goals of the APK are being carried out through the mechanism of economic responsibility, which still remains to be created. What form does this mechanism take? In our opinion, it is a natural, progressive totality of the principles, forms, relationships and dependencies of constantly developing social relationships, the use of which by the party and government influences production, for the purpose of achieving the tasks confronting society with regard to accelerating the country's socio-economic development. The mechanism of economic responsibility makes it possible to combine isolated types of activity into a single and socially needed reproduction process and it requires objective behavior by workers in carrying out the entire system of economic interests produced by the social division of labor.

The concept of VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] Academician V. Tikhonov is predicated mainly upon a flexible combination of centralism and the extensive development of economic independence, engendered by responsibility. In examining the function of planned activities — planned regulation of the work of economic organizations — V. Tikhonov has noted quite properly that it has existed for a prolonged period of time based upon the consistent allocation of planning tasks among enterprises. This led to a weakening and, quite often, to the elimination of the economic independence of enterprises. Their economic responsibility for production results also declined.

V. Tikhonov notes that the skilful use of commodity-money relationships under socialism, through prices and financial-credit levers and the planned mastering and control over the socialist market, while taking its laws into account, is promoting the creation of an effective anti-expenditure mechanism and forming a responsible attitude towards the work. "Certainly" it was mentioned during the June (1987) Plenum of the CPSU Central Committee, "the use of commodity-money relationships within an administrative system, in unity with the advantages of national economic planning, is a more difficult task than the issuing of commands and directives. But our administrative personnel must solve it" (2).

Is it possible for the economic responsibility of a worker or labor collective to form, if the plan is made available to an economic executive from above, as a mandatory task regardless of the degree of production advantage? Certainly not! And thus the new economic mechanism for management, called for in the Law Governing a State Enterprise (association), proposes another system for planning regulation.

Its sense and essence were defined during the June (1987) Plenum of the CPSU Central Committee: "Based upon the true social requirements, the enterprise itself composes the plan for the production and sale of products. Its basis must be not a number of detailed planning tasks, defined on a directive basis by higher organs, but rather a direct order by state organizations, cost accounting enterprises and trade organizations for specific output of the appropriate quantity and quality. In the process, the interests of the state are guaranteed by a system of state orders. But these must have priority and preferred economic conditions and require mutual responsibility for the parties involved" (3).

An improvement in economic responsibility is being promoted by the new system for planning at the level of regional APK's, where only firm volumes for deliveries into the all-union and republic funds for meat, milk and other types of products are established for all years of the five-year plan. The remaining food resources are left at the disposal of the local organs. They can be used for improving the supply of goods for the local population, for barter operations and for increasing processing, transitional supplies and storage.

Such a system for planning makes it possible to strengthen the responsibility of local organs with regard to supplying the population with food goods. It interests them in raising the yields, protecting all of the crop husbandry products grown and in searching for other reserves for increasing the amounts of food goods. At the same time, the economic responsibility of local organs for stable deliveries of products to the centralized funds is raised, since the volumes of short deliveries of such products are now being reimbursed fully during the next quarter or year.

In this regard, a need has arisen for increasing the responsibility of the planning and also the central organs of management and administration and the RAPO's [rayon agro-industrial associations], which presently possess great rights and yet do not bear proper responsibility for the miscalculations which occur in production planning and organization. In view of the great material harm which is inflicted upon the agro-prom [agro-industrial committee] by disproportionality and unsound centrally prepared planning indicators and norms, the personal material responsibility of ministerial and departmental workers for disruptions in the balanced development of the APK or for losses in agro-industrial production must be raised. A need has arisen for the development of sanctions for unsound

actions in connection with planning tasks and correcting them, for failing to coordinate the products to be produced with the resources required and for voluntary decisions in a counterbalance to existing planning works in the various areas.

USSR Gosagroprom [State Agro-industrial Committee] and the agro-industrial committees of regions must bear responsibility for ensuring proportionality in the development of the agro-industrial complex and for the implementation of sound scientific-technical and social policy. The RAPO's, as the primary elements in the agro-industrial complex system, are assigned responsibility for the economic methods for managing economic activities, particularly the introduction of the collective contract and complete cost accounting in all production elements, organizing the work of the engineering service, improving the supply of logistical resources, the development of processing and storage bases at kolkhozes and sovkhozes and, in the final analysis, for organizing product procurements and marketing in the required assortment. Importance is attached to defining the rights and obligations for each level of administration, in coordination with the specific responsibility; to develop a system of economic responsibility for the labor collectives and all administrative elements of the APK for accelerating production intensification, for the replacement of capital and growth in the output-capital ratio, for the modernization and technical re-equipping of all branches of the agroprom based upon the extensive use of the achievements of scientific-technical progress, intensive resource-conserving technologies, the introduction of an anti-expenditure mechanism and for achieving high final results.

The responsibility of agroprom enterprises consists mainly of carrying out the plans and contractual obligations and applying material sanctions for violations of the conditions of a contract or plan with regard to the volumes, structure, quality, assortment or schedules for the delivery of products or the rendering of services. The mechanism for economic responsibility must be developed within the system for cost accounting interrelationships base upon firm tasks for the five-year plan and the established economic norms. "By means of norms" it was noted during the June (1987) Plenum of the CPSU Central Committee, "a merging of the interests of a collective with the national interests is ensured through the use of economic methods." (4) The responsibility of leaders and enterprises increases when norm stability is achieved. However, it is our opinion that a need exists not only for expanding but also for raising considerably the level of material claims against producers (especially against resource producing branches of the APK) and in this manner intensifying the effect on them of consumer output. In the process, the plans for the production and sale of all output by APK branches, as correctly noted by V. Tikhonov, must be included to the maximum possible degree in the system of direct economic agreements, concluded during the pre-planning period. Importance is attached to ensuring that leaders and workers engaged in

the production of goods for society (especially food products and agricultural raw materials) bear personal material responsibility for the non-fulfillment of contractual obligations. This will serve to better acquaint the workers with their responsibility to the entire agro-industrial complex for the effectiveness and quality of their work. The resource producing branches and enterprises of the service sphere of the APK will remain responsible to the kolkhozes and sovkhozes for the completeness and high quality of the equipment being supplied and for fulfillment of the contracts for deliveries of material resources.

The reduction that has been noted recently in output-capital ratio, the slow-down in the rates of growth for agricultural output and the increase in its production costs and the insufficient use of the biological and genetic potential of agricultural plants and animals and also labor, material and financial resources require the creation of an effective system of economic responsibility for the results of the use of the resource potential of agriculture — land and water, material funds and manpower. Up until now, the mechanism for economic stimulation and responsibility has not been orienting properly the APK partners of the kolkhozes and sovkhozes with regard to the efficient use of its chief production potential — land. It is our opinion that the level of use of land resources must be the starting point for the establishment of a new economic mechanism and economic responsibility within the agro-industrial complex. Moreover, it is important to limit the economic sanctions and measures of material reward for kolkhozes and sovkhozes and also enterprises and organizations of the service sphere of the APK for indicators for growth (reduction in rates) in agricultural output and raw materials per hectare of agricultural land (arable land), while taking into account the resource-normative evaluation for productive capital.

During the June (1987) Plenum of the CPSU Central Committee, attention was directed to the fact that some regions possess greater industrial and agricultural potential and yet are failing to use it effectively. Thus capital investments should be employed on a farm with a high degree of effectiveness. In order to determine the compensation for agroprom enterprises which operate under poor natural-economic conditions, a scientifically sound land evaluation system that is based upon natural and economic land fertility and an evaluation of material funds and manpower should be introduced into operations in all areas. Such an approach assumes the consistent introduction in all spheres of the APK of a resource-normative planning method which will promote the adoption of tense plans by all APK branches. Their formation is influenced by the purchase prices. Thus the individual zonal prices for agricultural products must ensure an average profitability for kolkhozes and sovkhozes which operate under objectively poor natural-economic conditions, while differential rent is added to the state budget by means of strictly differentiated rental payments.

A need will exist for strengthening cost accounting responsibility for material losses caused by violations of the agrotechnical rules, inadequate tending of the livestock, under-fulfillment of the quantitative and qualitative indicators for production, disruptions in logistical supply and also inefficient expenditure of production resources and the wage fund.

Cost accounting responsibility can be collective and individual. It is based upon sanctions, the amount of which must compensate fully for the damage sustained. Thus the decree of the CPSU Central Committee and USSR Council of Ministers entitled "Further Improvements in the Economic Mechanism for Management in the Country's Agro-industrial Complex" called for complete reimbursement for an over-expenditure of the wage fund using the material incentive fund or the reserve fund of a farm and if they are deficient — by a reduction in the bonuses computed for the collective of an enterprise. In the event the rates of growth in average wages exceed the rates of growth for labor productivity, an appropriate part of the material incentive fund is reserved by an enterprise for use the following year for stimulating further growth in labor productivity and raising production efficiency or it is added during the current year to the fund for socio-cultural measures. Simultaneously with allocating 70 percent of the total amount of funds saved for issuing bonuses to a collective, an over-expenditure of the limit for material resources (in accordance with the norm) is reimbursed fully using the wage and material incentive funds. The economic conduct of a farm is stimulated and efficient use of the wage fund is regulated by these measures for cost accounting responsibility.

Special attention is given in this decree to strengthening economic responsibility for the final operational results of leaders and specialists. Their wages are carried out based upon an evaluation of their output. An advance in the amount of 80 percent of their salary is paid out prior to the final computation. The awarding of bonuses to this category of workers is regulated, since it orients leaders and technologists in agro-industrial production towards material responsibility for raising its effectiveness. Towards this end, two principal indicators instead of numerous ones have been established: profitability level and increased output compared to the past 5 years. The wages of leaders and specialists of service enterprises and agroprom organs are established depending upon the final results. This raises their economic responsibility with regard to increasing the food resources and agricultural raw materials to the maximum possible degree. V. Tikhonov noted quite fairly that the prevailing system of wages is gradually becoming a payment for the final results of production and it appears at the level for primary labor collectives in the form of a collective contract.

Cost accounting responsibility also calls for the use of sanctions against individual persons during the course of their labor activities. Such responsibility takes different forms: correction of defects tolerated during work or the

repair of products at the expense of the guilty party, reimbursement for material harm in connection with the loss of livestock, over-expenditure of fuel and lubricating materials, deprivation of bonuses either partially or fully for the non-fulfillment of technological requirements and low quality of work. Meanwhile, it bears mentioning that cost accounting responsibility has still not been developed fully. There still is not unity nor is there always a sound basis for intra-organizational accounting or inter-branch cost accounting relationships or for the sanction amounts or the economic conditions under which they are applied. A direct relationship is not always being observed between the sanction and fine amounts on the one hand and the damage sustained on the other.

The operational practice of kolkhozes and sovkhoses in Stavropol Kray, which are now operating for the second year under the conditions of the economic experiment (independence, self-support and self-financing), underscores the effectiveness of use of cost accounting responsibility. Here the following sanctions are being employed:

- for an over-expenditure of production resources, up to 75 percent of the total amount of premiums due them, including for an excess amount of output above the achieved level, is being withheld from cost accounting subunits;
- for an over-expenditure of fuel and lubricating materials, 50 percent of the cost of the over-expenditure is being withheld from machine operators, 10 percent from brigade leaders, 50 percent from mechanics and 60 percent of the cost of the over-expenditure from motor vehicle drivers. In accordance with a KTU evaluation, some workers attached to contractual collectives are deprived of material incentives either partially or completely for a reduction in output quality or in the norm for labor productivity, for raising production costs, for violating labor and technological discipline or the rules for equipment safety, for negligent use of means of production with resultant breakdowns of machines and mechanisms, unsatisfactory tending of livestock with resultant injuries and losses, for failing to work the established minimum number of working days, for wilfully abandoning work and so forth;
- during the final accounting for output, each member of a contractual brigade (team) is deprived, based upon the annual results, of additional payments for output as a result of a one-time violation of the technological requirements for autumn plowing, the preparation of soil for undersowing, sowing, inter-row cultivations, fertilizer and herbicide applications; waterings, harvesting the crops with the removal of the special "quality coupons" No. 1 — for 10 percent, No. 2 — for 25 percent and No. 3 — for 50 percent;
- the amount of bonus, based upon the annual results, for a contractual collective which tolerated an over-expenditure of funds for the production of a unit of product or which failed to carry out the conditions of a contractual agreement is lowered, but not by more



- than 50 percent of the computed amount;
- failure on the part of an administration to carry out the conditions of a contractual agreement is considered to be production negligence and this can bring about a reduction in the bonus for specialists who service the contractual collective of up to 10 percent and for the chief specialists — up to 15 percent;
- in those instances where a contractual collective fails to carry out a technological method (which is included in an estimate for a product) and this adversely affects the final results, the total amount of expenditures for carrying out the measure is withheld from the wage fund in accordance with the final results.

Random studies have shown that the introduction of these measures promotes growth in the productivity of agricultural crops by 20-25 percent, in livestock productivity — by 15-20 percent, a reduction in production costs — by 10-15 percent and growth in labor productivity — up to 30 percent.

The responsibility of enterprises of resource producing branches and the service sphere of the agroprom consists chiefly of strict fulfillment of their contractual obligations. However, their work is affected by the gross indicators and expenditure approach for evaluating products and services, which was sharply criticized during the June (1986) Plenum of the party's central committee. Up until now, for low quality work (considerable in terms of monetary expenditures) which lowers agricultural productivity, partners (workers, administrative staff and also upper echelons of administration) receive wages on a parasitical basis and can be deprived only partially of bonuses. Adequate material responsibility for reductions in their intermediate indicators, which meet the requirements of use value, and particularly for the final results of the APK, in its system of industrial, processing and procurement organizations, has still not been established in keeping with the level of modern requirements. Obviously, in the face of poor work all enterprises of the agroprom must lower not only the bonuses but also the salary amounts and wages of workers, in the interest of increasing their responsibility for accelerating increases in food goods and agricultural raw materials. Indeed, increased responsibility for the final national economic results serves to instill high moral qualities in the members of labor collectives: mutual assistance and comradeship, concern for protecting and multiplying socialist property and increasing labor productivity based upon an acceleration in scientific-technical progress. The uncovering of internal stimuli for developing the APK, through a strengthening of economic responsibility, raises sharply the role played by the human factor, thus increasing social and labor activity, and it promotes on this basis a sense within each worker that he is master of the land and social production.

#### Footnotes

1. PRAVDA, 26 June 1987.
2. Ibid.

3. Ibid.

4. Ibid.

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#### Contract Regulations

18240018 Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 9, Sep 87 pp 98-101

[Article by V. Lukyanenko, Candidate of Legal Sciences and M. Lukyanenko, Candidate of Legal Sciences: "Economic-Legal Aspect of APK Economic Mechanism"]

[Text] One condition of the concept of radical restructuring of the economic mechanism of the APK [agro-industrial complex], as set forth in the article by V.N. Tikhonov, holds that the control figures for the purchasing of products for the all-union and republic funds must be made available to the appropriate regions. At the same time, they must be provided with the anticipated delivery volumes for logistical resources.

In conformity with the decree entitled "Further Improvements in the Economic Mechanism for Management in the Country's Agro-industrial Complex," firm plans, by years of the five-year plan, for delivering appropriate products into the all-union and republic funds (or subsidies from them) and also plans for deliveries of pedigree livestock are being established commencing in 1987 for union republics, krais and oblasts, instead of plans for state purchases of livestock and poultry, milk, eggs, potatoes, vegetables, melon crops, fruit and berries, table grapes, citrus fruit and dry fruit.

Thus the foundation has been established for restructuring in the sphere of planning for the production and distribution of state resources for certain types of agricultural products. During the next stage, the control figures and planning tasks for deliveries must be made available directly to the primary elements of the APK. In this instance, the tasks for deliveries of agricultural products to the all-union and republic funds will fulfill the functions of a state order.

In conformity with the established system, state resources for certain types of agricultural products, for example fruit and vegetables, are distributed among specific procurement and trade enterprises and organizations. Extracts from the plans for distribution (use), with instructions as to the farm or procurement agent, types and the number and assortment of fruit and vegetable products, serve as the basis for concluding contractual agreements. But the opinion persists that difficulties in the development of the kolkhoz-cooperative trade in agricultural products are associated to a certain degree with the existing system for the planned distribution of these products. Such a point of view is

correct at the present time only from the standpoint of animal husbandry products, used in conformity with distribution plans prepared by organs of USSR Mintorg [Ministry of Trade]. The farms are authorized to sell to consumer cooperatives and at kolkhoz markets fruit and vegetables (up to 30 percent of the planned volume of purchases) and above-plan agricultural products. This implies that the farms must decide for themselves: should they sell a considerable portion of their planned and above-plan products to procurement agents in accordance with contractual agreements or to consumer cooperative organizations on the basis of agreements, or directly at kolkhoz markets — to citizens or through trade services bureaus. Such practice is providing the procurement agents, consumer cooperative organizations and kolkhoz markets with great opportunities for displaying socialist enterprise by increasing the volumes of fruit and vegetables and other agricultural products purchased from farms. This is creating conditions for the farms for a free selection of purchasers for a considerable portion of their marketable products and for the consumers — producers of agricultural products.

The councils of ministers of union and autonomous republics, kray executive committees and oblast executive committees, when developing their plans for the use of vegetables, melon crops and fruit and berries, must not take into account up to 10 percent (up to 30 percent commencing in 1987) of the planned volume of state purchases of the mentioned products, sold by kolkhozes, sovkhoses and other agricultural enterprises to consumer cooperative organizations and at kolkhoz markets. In order to carry out this condition, the agro-industrial committee and RAPO's [rayon agro-industrial associations] must have data available on the specific volumes of fruit and vegetables, to be sold by each farm at kolkhoz markets and to consumer cooperative organizations. Such data can be presented to the RAPO's and agroproms [agro-industrial committees] only by the farms themselves, since they are authorized to sell a portion of their planned fruit and vegetables and no administrative organs can solve this problem for them.

In discussing the work of kolkhoz markets in the sphere of purchases of agricultural products, it should be borne in mind that the decree of the CPSU Central Committee and the USSR Council of Ministers entitled "Measures for Improving the Work of Kolkhoz Markets" calls for them to be transferred over, in the established manner, from the authority of the USSR Ministry of Trade and Ministry of Housing and Municipal Services of the respective union republic to the authority of a consumer cooperative organization. As a result, the kolkhoz markets themselves become organizational elements of the Tsentrosoyuz [USSR Central Union of Consumers' Societies] system. In conformity with the decree, cost accounting enterprises of consumer cooperation for the purchasing of agricultural products and for trading in them will be created at the kolkhoz markets. It is our opinion that they should ideally be created based upon

the trade services bureaus presently existing at the kolkhoz markets. A definition of the legal status of these enterprises is also required. When resolving this problem, it should be borne in mind that a kolkhoz market, in conformity with the principal statutes governing its tasks and functions (approved by a special order of the USSR Ministry of Trade in 1971), is a trade enterprise. It is covered by the law governing a state enterprise (association), with the peculiarities characteristic of state enterprises for trade and public catering being taken into account. Hence, first of all, organized cost accounting enterprises can be included in the structure of kolkhoz markets only with the rights of a structural unit. If they are granted the rights of a legal entity, then from a legal standpoint they become independent of kolkhoz markets as structural subunits of consumer cooperative organizations. Another variant is also possible: enterprises are included directly in the structure of kolkhoz markets. Here the market must be transformed into a special kolkhoz-cooperative association. In other words, we are speaking here of the appearance of a new type of cooperative association or formation. Secondly, kolkhoz markets and enterprises attached to them or included in their structure, for the purchasing and sale (trade) of agricultural products, become structural elements of consumer cooperation and thus the law governing a state enterprise (association) cannot be applied to them (unless a special decision is handed down by a competent organ). Consequently, Tsentrosoyuz and other organs must develop a new statute in which the legal status of a kolkhoz market and enterprises for the purchasing and trading in agricultural products is defined.

In returning to the question concerned with the sale of fruit and vegetable and other agricultural products, it should be mentioned that at the present time the kolkhozes and sovkhoses in a majority of regions throughout the country are not submitting proposals for the sale of agricultural products to consumer cooperative organizations in RAPO's or to the agroproms: some — owing to the absence of a need for recommendations; others — in view of the difficulties which arise during an independent search for purchasers; a third group prefers to sell all of its output to customers who, in conformity with the legislation, are obligated to accept it directly on the farms and deliver it at their own expenses. It is believed that it will be difficult to achieve a free sale of products if the needed organizational mechanism is not created.

In the interest of creating the required guarantees for a truly free selection of purchasers (consumers) for the fruit and vegetable and other agricultural products, we consider it possible to carry out the following recommendations at the present time: consumer cooperative organizations (including kolkhoz markets and enterprises for purchases and trade), following approval of the purchase plans for fruit and vegetables in the appropriate region (as a rule, in December of the year preceding the one being planned) send their draft order-agreements for the sale of fruit and vegetables in the amount of 30 percent of the purchase plans approved for the farms; the farms

examine the order-agreements as presented and together with the consumer cooperative organizations they define them more precisely and within 5-10 days from the moment they are received they return one copy of the formulated agreement to the organization which sent it; based upon the state purchase plans and the order-agreements concluded, the farms prepare their output production plans and they send their recommendations for the sale of agricultural products to consumer cooperative organizations to the higher organ (RAPO, agro-prom); the agro-industrial committees and RAPO's, when preparing the draft plans for the use of the fruit and vegetable products (they are approved in January or February of the year being planned), do not distribute the volumes of fruit and vegetables intended for sale to consumer cooperative organizations among those purchasing (procurement) organizations responsible for procuring products in their assigned zones.

It is our opinion that such a system provides the farms with an opportunity, at least in the case of fruit and vegetable crops, to form plans for their production based upon the direct orders of customers — in this instance, consumer cooperative organizations. With regard to the remaining types of agricultural products, the agreements become a base for the formation of production plans if they are drawn up, as correctly stated by V.N. Tikhonov, during the pre-planning period. However, definite doubts are aroused by his proposal concerning the completion of these plans no later than 18 months prior to the commencement of the period being planned. It appears that in view of the peculiarities of agricultural production, such plans will be extremely approximate. One cannot fail to note also that the tasks made available to APK enterprises during the mentioned periods, as revealed by an analysis of some normative documents, differ from their original legal and economic aspects. Thus the decree of the CPSU Central Committee and the USSR Council of Ministers entitled "Improvements in Planning and Economic Stimulation and in Production Administration for Consumer Goods in Light Industry" obligates USSR Gosplan and USSR Gosstabs to supply the USSR Ministry of Light Industry and the USSR Ministry of Trade with preliminary tasks for the production of goods in a natural expression, limits for raw materials and other materials and market and non-market funds for light industry goods and not later than 10 February of the year preceding the one being planned. The preliminary tasks and limits must be made available to associations and enterprises prior to 1 March of the year being planned. In this manner, the final (more precise) tasks and limits, excluding the preliminary tasks and limits, will be made available to the economic organs. This may bring about a change in the plans for the production and distribution of products and goods and correspondingly in those concluded on the basis of state orders for economic agreements and this will not promote rhythmical work by the enterprises.

The interdependency of national economic branches demands that the maximum periods for making the planned tasks and other directive indicators available to

enterprises and associations be the same as a general rule. At the present time, it is our opinion that the optimum periods have been established in the decree of the CPSU Central Committee and the USSR Council of Ministers entitled "Raising the Responsibility of Associations, Enterprises and Organizations for the Carrying Out of Contracts for the Deliveries of Products and Goods." It follows from the decree that the enterprises and associations receive their tasks for output production and funds for material production roughly in early September of the year preceding the one being planned. Enterprises, associations and organizations, based upon the established tasks, must ensure the concluding of contracts with the suppliers and consumers prior to the beginning of the year being planned and organize the timely preparation of production operations in coordination with logistical supply.

Such a system strengthens the role played by contracts in the formation of the production programs for enterprises, associations and organizations. Ideally, APK enterprises should be provided with the tasks and other indicators and also the planning documents used by them for concluding economic agreements, for example contractual agreements, 2-3 months prior to the period being planned.

A contractual agreement is a most important legal means and one which ensures control over those regulations which develop during the course of satisfying the state's minimal requirements for agricultural products. One of its legal peculiarities lies in the fact that a procurement specialist is obligated to accept all agricultural output from a farm, including that made available over and above the amount stipulated in the agreement. In such instances, a contract appears as a means of coercion and one which ensures the priority interests of the state. Understandably, it is unacceptable for smoothing out the relationships which develop in the sphere of free sales of agricultural products. A delivery agreement is not suitable for such relationships. As is known, the legislation governing deliveries contains a considerable number of mandatory norms. Many of its norms are intended for regulating relationships in the sale of products distributed in a planned manner. Relationships which exist in a sphere of freely sold products require a legal regime which would ensure that the producer of goods has a free selection for its purchaser (customer) and the purchaser — a free selection of the supplier. The required legal regime, in our opinion, has been established in Articles 39-42 of the Principles of Legal Legislation. They include the norms required for regulating relationships concerned with a transfer of property or operational control. Taking into account these norms, a sales person or customer is justified in establishing, in a specific agreement, additional rules conditioned by their own cost accounting interests. Only an agreement which is based on a free selection of the parties involved is capable of becoming the principal document, one which defines the relationship between the producer of the product and the customer.

Sales and purchase agreements can be concluded only in those instances when the farms transfer agricultural



products to consumer cooperative organizations or operational control. If the mentioned legal characteristic is lacking, then the relationships between the parties involved cannot be covered by legislation.

The CPSU Central Committee and the USSR Council of Ministers, in the decree mentioned above entitled "Measures for Improving the Work of Kolkhoz Markets" tasked USSR Gosagroprom, USSR Tsentrosyuz and USSR Gosarbitrazh with developing and approving a standard agreement for the sale of agricultural products by farms at kolkhoz markets, with providing having been made for responsibility of the parties involved for failure to observe the obligations undertaken.

The complicated nature of the decisions involved in the established task derives from the fact that the mentioned organs, when developing the standard agreement, must as a minimum take into account the two possible variants for such sales:

- using their own transport vehicles and at their own expense, the farms deliver the agricultural products to the kolkhoz markets and sell them directly to citizens through their representatives. The obligations of the kolkhoz markets consist of making available, in accordance with a special lease agreement, storehouse facilities, trade pavilions, stalls and other items of property or the presentation to them of trade areas for a special payment;
- to define the type of agreement which is concluded between the farms and kolkhoz markets in connection with the sale of agricultural products through trade service bureaus or an enterprise for purchases and trade.

In 1986, the Teplichnyy Sovkhoz concluded an agreement with the Central Kolkhoz Market for the sale of vegetable through trade services bureaus. The principal obligation of the sovkhoz consisted of delivering products to the kolkhoz market. In conformity with the standard statute governing trade services bureaus and a special interpretation handed down by the RSFSR Mintorg [Ministry of Trade] on 1 September 1983, the accounts between the sovkhoz and kolkhoz market were carried out following the sale of the vegetables. For services rendered in connection with sales carried out through the trade services bureaus, the kolkhoz market withheld a payment amount from the sovkhoz in accordance with rates established by a decision of the oblast executive committee.

In such an agreement, the kolkhoz market was a participant in two legal relationships: with the supplier of the agricultural products (sovkhoz) — internal legal relationship; and the sale of vegetables to citizens — external legal relationship. Meanwhile, it is known that such participation is typical for the legal status of a commissioner. In this regard, it should be recognized that an agreement concluded by a sovkhoz with a kolkhoz market, for the sale of vegetables through trade services

bureaus, contains the legal elements of a commission's agreement. The above underscores the need for defining more precisely those norms of the civil codes for union republics which regulate commission relationships. For example, in Article 404 of the RSFSR Civil Code it is stipulated that the object of an agreement could be not only surplus agricultural products but also products sold in the established manner at the discretion of the farms in behalf of the procurement plan. It should also be pointed out in this article that the subjects of a commission's agreement, in addition to kolkhozes, could also be sovkhozes and all consumer cooperative organizations, including kolkhoz markets (for the sale of agricultural products through trade services bureaus) and also enterprises for the procurement of and trade in agricultural products.

We have examined two variants for the sale of agricultural products at kolkhoz markets. It appears to be desirable to develop two standard agreements for regulating the relationships which arise — an agreement for services and a commission agreement.

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## LIVESTOCK AND FEED PROCUREMENT

### Lithuanian Party Conference on Livestock Production

18240012 Vilnius SOVETSKAYA LITVA in Russian  
3 Oct 87 pp 1,4

[ELTA Report: "High Award Inspires Persistence in Attaining New Achievements"]

[Excerpts] Vilnius, 2 October—In the Central Committee of the Communist Party of Lithuania today there was a republic conference of the party-economic aktiv. They considered the question of organizing the wintering of livestock and increasing the production of animal husbandry products during this period.

Invited to the conference of the first secretaries and secretaries of city and rayon party committees, chairmen of executive committees and agroindustrial associations, secretaries of city and rayon Komsomol committees, a group of advanced agricultural workers, responsible workers of party, soviet, trade union and Komsomol agencies, and also of the gosagroprom and of other ministries and departments of the republic's agroindustrial complex.

Participating in the conference were comrades P. P. Grishkyavichus, Z. S. Astrauskas, Yu. I. Bernatavichus, A. K. Kayryalis, V. K. Mikuchauskas, N. A. Mitykin, V. V. Sakalauskas, R. I. Songayla, L. K. Shepetis, P. P. Shileykis, and V. A. Berezov.

A member of the CPSU Central Committee, deputy chairman of the AUCCTU, V. G. Lomonosov was present at the conference.

Opening the conference, the first secretary of the Central Committee of the Communist Party of Lithuania, P. P. Grishkyavichus, said:

"In the All-Union Socialist Competition for Successful Wintering of Livestock and Increased Production and Procurements of Animal Husbandry Products During the Winter Period of 1986-1987 the republic along with a number of others was again recognized as a winner and was awarded the certificate of honor of the CPSU Central Committee, the USSR Council of Ministers, the AUCCTU, and the Komsomol Central Committee. Today we have to accept this high award and also discuss the tasks for completing field-work and preparing for and conducting the forthcoming stabling period for maintaining cattle and producing animal husbandry products."

The floor was turned over to Comrade V. G. Lomonosov. The guests noted that this labor victory of the farmers of Soviet Lithuania, which is achieved on the threshold of the 70th anniversary of Great October, was especially significant and confirms once again that the restructuring and renewal in all spheres of the life of our society is already producing good results. He sincerely congratulated the workers of the republic and, having wished them significant new successes, awarded the certificate of honor of the CPSU Central Committee, the USSR Council of Ministers, the AUCCTU and the Komsomol Central Committee.

Participants in the conference were addressed by the first secretary of the Central Committee of the Communist Party of Lithuania, P. P. Grishkyavichus.

"Allow me on your behalf and on behalf of the communists and all agricultural workers of the republic," said P. P. Grishkyavichus, "to express our heartfelt thanks to the CPSU Central Committee, the USSR Council of Ministers, the AUCCTU and the Komsomol Central Committee for this high and inspiring evaluation of our republic's modest contribution to the implementation of the historic decisions of the 27th Congress of our party.

"At the same time, this is an occasion for a detailed discussion of how specifically to further organize and conduct our work. We have far from exhausted reserves and possibilities for intensifying animal husbandry. There are also significant shortcomings. In particular, these were pointed out in the decree of the CPSU Central Committee, 'On Immediate Measures for Accelerating the Solution to the Food Problem in Keeping with the Statements of the July (1987) Plenum of the CPSU Central Committee.'

"The new decree of the party Central Committee is a developed program of action for further significant improvement of the food supply in each region, city, and

the republic as a whole. We are faced with an immense amount of work on various levels. And even today we must consider the state of affairs from the standpoint of the new requirements and earmark the immediate tasks for successful changeover to the production of animal husbandry products under winter conditions and further increasing them both during the winter period and during the forthcoming year as a whole."

A report on the tasks for organizing the wintering of livestock and also the completion of the harvesting of the crops and other work was presented by the first deputy chairman of the Lithuanian SSR Council of Ministers, chairman of the Gosagroprom, Yu. I. Bernatavichus.

"Large and complicated tasks in the matter of further development of the republic's agroindustrial complex and especially its most important branch—animal husbandry," he said, "had been set by the 27th CPSU Congress and the 19th Congress of the Communist Party of Lithuania. By 1990 the production of meat in slaughtered weight must be increased to 600,000 to 620,000 tons, milk—to 3.2-3.3 million tons, and eggs—to 1.1-1.2 billion. The increase in these products should be achieved as a result of more intensive utilization of the herd. Therefore the average daily weight gain of cattle on fattening during the last year of the current five-year plan should be increased to 750-800 grams and hogs—to 500-550 grams, and the average milk yield per cow in the republic must be increased to 4,000 kilograms. The contribution of each rayon to the fulfillment of these tasks is earmarked in the five-year plan. All this shows that animal husbandry and poultry raising should develop only by intensive methods everywhere. The level of intensiveness and economic effectiveness of these branches is now a decisive factor in the matter of strengthening the economies of the farms and providing for the earmarked growth of the production of animal husbandry products.

"One can say that on the whole there have been positive strides along the path of intensification of animal husbandry. An important stage was the winter period of 1986/1987 during which milk production increased by 3 percent, meat—9 percent, and eggs—8 percent. The productivity of the cows increased by an average of 54 kilograms. Plans for procurements of animal husbandry products were fulfilled and their volumes increased. Other quantitative and qualitative indicators of this branch also improved somewhat. All workers of the republic's agroindustrial complex are gratified to see that their efforts have been noticed and rated highly. Yet we are aware that only the first timid steps have been taken in the matter of fulfilling the tasks that have been set. The first secretary of the Central Committee of the Communist Party of Lithuania, P. P. Grishkyavichus at the 7th Plenum correctly criticized us for insignificant growth rates in the production of animal husbandry products. Many collectives are not sufficiently taking

advantage of their potential for increasing the production and sale of animal husbandry products to the state. This was discussed in an especially principled way at the 5th Plenum of the Lithuanian Communist Party Central Committee.

"Therefore the results that have been achieved cannot allow us to become complacent. In the decree of the CPSU Central Committee, 'On Immediate Measures for Accelerating the Solution to the Food Problem in Keeping With the Statements of the July (1987) Plenum of the CPSU Central Committee,' in particular, it is noted that the Lithuanian SSR has lagged behind the assignments of the Food Program in meat production. We must draw the most serious conclusions from all this, evaluate our work self-critically, and earmark concrete measures for further intensification of all branches of animal husbandry.

"When adopting socialist commitments for the second year of the 7th Five-Year Plan we earmarked increasing the milk yield by 100 kilograms as compared to 1986 and completing the year with no less than 3,670 kilograms per cow. But in 9 months (it is assumed) they have increased by only 30 kilograms. One must say directly that many rayons, kolkhozes and sovkhoses have not managed to utilize inexpensive pasture feed effectively for obtaining large milk yields.

"During 8 months of this year 15 rayons allowed a reduction of milk yields as compared to last year. Certain rayons increased their milk yield but only symbolic—by several kilograms per cow. Eight rayons were at a level lower than last year's in terms of gross milk production as well. Nobody can be happy about such results.

"So far the republic is coping with the fulfillment of the plan for the sale of milk to the state. But still we cannot be satisfied with this since we can clearly see that our capabilities of obtaining a large quantity of milk per cow are not being utilized.

"When speaking of the prospects of the dairy herd we must again return to the conversation about the significant number of less productive cows. On an average for the republic 26 percent of the cows still produce less than 3,000 kilograms of milk per lactation period. This is wrong. Moreover, the kolkhozes and sovkhoses must significantly improve the raising of calves for replenishing the less productive herd.

"We are also concerned about the fact that the results of the production of the herd have deteriorated. For example, during 8 months we have received 1 percent fewer calves than last year. This means that everywhere it is necessary to increase demands placed on animal husbandry specialists. Many of them still have not rearranged their work and continue to work poorly, and the head specialists and management of the RAPO put up with this.

"The period of the most intensive production of milk this year is already behind us. But we still have 3 whole months of this year's wintering period. During that time it is necessary to achieve a radical change everywhere and fulfill socialist commitments.

"During 9 months, as compared to the same period of last year, we sold the state 13,000 tons more of cattle and poultry. It is expected that this year the socialist commitments for the procurement of meat will be overfulfilled. We think that all rayons and farms should fulfill their socialist commitments for the sale of cattle and poultry to the state. But Yurbarkskiy, Zarasayskay, Shakyayskiy, Birzhayskiy and Pakruoyskiy rayons have reduced their sale of meat. This causes concern. It is necessary to rectify things in these rayons.

"The average daily weight gain of cattle being fattened this year was 577 grams, somewhat more than last year. But in a number of rayons and on individual farms these figures are inadmissibly low. This situation must be rectified immediately.

"The proper amount of attention is not being devoted to hog-raising everywhere either. More than half of the farms of Akmyanskiy, Yurbarkskiy, Kayshyaydorskiy, Lazdiyskiy, Mazheyskiy, Raseynskiy and Vilkavishskiy rayons in 1986 obtained average daily weight gains of less than 400 grams. We are still not satisfied by the results of hog-raising complexes of Birzhayskiy, Pakruoyskiy and Tauragskiy rayons, which are far from fully taking advantage of their production capacities. The rayon agroindustrial associations must increase the demands they place on managers and specialists of interfarm animal husbandry enterprises. The very increase in the production of pork should be achieved only as a result of intensification of this branch, and above all as a result of increasing the average daily weight gains. Additionally, it is necessary everywhere to take consistent measures for maintaining the livestock. Although the death of hogs has decreased and that of cattle has remained at last year's level, losses from this are still great. The fight to maintain cattle and strict accountability for mismanagement should be significantly strengthened.

"During the past wintering period the production of eggs on the farms of the public sector of the public increased by 8 percent as compared to the preceding wintering period, and their sale to the state increased by 9 percent. During this year's wintering period, poultry raising should be conducted quite responsibly so as not to reduce the growth rates of the production of products.

"Raising the technical level in animal husbandry is inseparably linked to the introduction of comprehensive mechanization. Before the end of the current five-year plan, as a result of construction, reconstruction and technical reequipping of existing farms and complexes, we must raise the level of comprehensive mechanization on cattle farms to 81 percent, and on hog farms—to 90 percent.



"During the first half of this year as compared to the same period last year the production cost of 1 quintal of weight gain of cattle on an average for the republic decreased by 2.3 percent, and hogs—2.7 percent. But on the farms of 15 rayons the production cost of weight gain of cattle increased, and in 10 rayons the production cost of weight gain of hogs increased. Expenditures on milk production even on an average for the republic, increased by 1.6 percent. This situation causes alarm and shows that the new economic management mechanism is not working properly everywhere and it will be difficult for certain farms to work under the conditions of complete cost accounting and self-financing.

"Although all the animal husbandry brigades and farms of the kolkhozes and sovkhoses of the republic are operating on principles of the collective contract in cost accounting, not every collective is achieving the proper return or a significant economic effect. For example, last year milk was produced at a loss by 12 farms, beef—33, and pork—114 farms. Therefore it is necessary to take immediate measures to straighten these issues out.

"The work is being impeded by a formal approach to the new policies. The work is not being reinforced by concrete organizational measures in the local areas. Branch specialists have a poor mastery of the principles of cost accounting. Therefore they do not fully inform each local labor cell or each worker. It is necessary to include in the contract collectives brigade leaders, subdivision managers and specialists so that they will be just as interested as the workers are in increasing production and reducing expenditures.

"This year a certain amount of work has been done to establish strict conditions for production expenditures in all production subdivisions. Each month the farms draw up balances of incomes and expenditures and arrange their accounting in each brigade and on each farm. Thus all the prerequisites are created for making the payment for the labor of workers, labor managers and specialists directly dependent on the gross income. In this connection preparations are being completed for the corresponding recommendations and specialists are being trained. Beginning next year this form of payment for labor should become ingrained in the work of the farms.

Decrees of the CPSU Central Committee and the USSR Council of Ministers in the area of solving food problems have been published recently. These decrees create new and extremely favorable opportunities for developing cooperation between private subsidiary farms and public production under contractual conditions using principles of the collective and family contract. According to the decrees, the sizes of farmstead plots and the norms for keeping cattle and poultry on private subsidiary

farms of the citizens are determined by rural and village soviets of people's deputies and kolkhozes and sovkhoses taking into account the participation of the kolkhoz workers, other workers, and employees of sovkhoses in public production. Various kinds of unsubstantiated limitations in this area are being abolished. A number of other benefits and incentives have also been envisioned. It is necessary for the RAPO in conjunction with managers of each farm and each subdivision, and also with respect to each family, to determine reserves and earmark measures for their effective utilization."

"On the farms of the republic on an average per conventional head of cattle up until recently we procured 16.4 quintals of feed units of coarse and juicy feeds. This is 2 percent more than was procured last year. There is more hay, haylage and silage. But on all the farms there are considerable reserves for increasing the supplies of feeds and these must be utilized skillfully.

"From the first days of wintering a great deal of attention must be devoted everywhere to efficient utilization of feeds, their correct distribution among individual kinds and groups of livestock, and preparation of feeds for feeding. The Lithuanian Scientific Research Institute of Animal Husbandry and Veterinary Medicine must develop model rations taking into account the availability of feeds during the winter period. All farms must prepare feed kitchens for mixing the moist rations for cattle.

"There is still a lot of work to do on the fields of the republic. The main thing is to harvest all the agricultural crops that have been raised with the least possible losses. Regardless of anything it is necessary to harvest all the remaining areas of pulse crops and their mixtures, alfalfa seeds, and perennial grasses, create a reserve fund of seeds of winter crops, provide for planting the seeds for the entire spring cycle and prepare the planting materials so that it will be brought up to high planting conditions on time."

In conclusion Comrade Yu. Bernatavichus emphasized that the efforts of managers and specialists of the Gosagroprom, the ministries and departments of the agroindustrial complex, especially the RAPO and the farms, and also scientists and party and soviet workers should be directed toward original and independent implementation of the forthcoming urgent tasks, toward the development of extensive all-union and republic socialist competition, and toward the creation of the proper reserves for increasing the production and sales of animal husbandry products to the state during the winter period of 1987-1988 and the third year of the five-year plan.

## ENERGY COMPLEX ORGANIZATION

### Cooperation Sought in Siberian Supply, Transport System

18220002 Moscow

MATERIALNO-TEKHNICHESKOYE

SNABZHENIYE in Russian No 9, 1987 pp 14-21

[Article by L. Lebedeva, docent at the Novosibirsk Institute for the National Economy and a candidate of economic sciences: "Coordinating Supply and Transport Agencies in Supporting Territorial Production Complexes"]

[Text] The June 1987 CPSU Central Committee Plenum and the Seventh Session of the USSR Supreme Soviet's 11th Convocation have emphasized that a radical restructuring of the management of the country's economy is unthinkable without changes in the logistics system.

A large amount of material and equipment, which is being produced in the old developed industrial regions, is being sent to territorial production complexes (TPK). That is why the supplying of the required resources to TPK installations depends to a considerable degree on their timely delivery to the places where they will be directly used. Consequently, the role of the handling area in the regional reproduction process is being substantially increased, and the organizational level of internal and external transport and economic ties directly impacts on logistics reliability and quality. The need to overcome narrow departmental and provincial barriers and the search for new organizational forms for coordinating the territorial supply and sales and transport organizations and the manufacturers and consumers of products during delivery to TPK arise from this.

It is necessary to point out that on a country-wide scale the problems of intensifying the activity of the supply and sales and transport systems are frequently being studied separately from each other although transport and logistics are inseparably connected with each other when organizing the movement of products from the manufacturer to the consumer.

The development of the production infrastructure is occurring in a decentralized manner during the establishment of territorial production complexes in the eastern rayons. This requires additional expenditures, leads to the lagging behind of individual components with an outstripping growth in others, and complicates the problems of managing its formation and functioning.

In connection with the fact that there can be several TPK within the limits of one administrative territorial unit and, conversely, some of them are located on the territory of several administrative territorial units, serious problems arise in directing the joint activity of the transport and supply systems in the on-line control of product deliveries to TPK installations.

It is also necessary to pay attention to the fact that in the pioneer development zones (with a territorial dispersal of industrial and construction mining branch installations), the production and technical servicing and completion bases of the leading ministries (from the point of view of product deliveries) emerge as aggregate consumers on behalf of many fields, drilling and geological detachments, construction jobs, etc. Frequently, they are the final points for main line transport, and they use practically all types of shipments to the consumers, who are attached for servicing, when organizing the delivery of material resources.

That is why the warehouses of supply and sales organizations are not only storehouses since they are the final link in the large stream of material to the region but also the organizers of smaller streams of material that are dispensed over numerous radials, insuring the mutual coordination of the delivery, storage and product preparative processes for the production consumer and delivery directly to the place where the products will be used. The poor supply of territories with main line types of transportation leads to the prevalence of warehouse deliveries over transit ones in the wholesale sales of products in many Siberian TPK and considerably raises the role of the bases in organizing logistics for the final consumers.

The high economic growth rates of Siberia's territorial and production complexes require an ever larger amount of material and technical resources, but the specifics of their delivery using traditional types of transportation leads to the need for establishing significant seasonal stocks. That is why with their long "stay" under the zone's severe natural and climate conditions, the problem of preserving product quality by establishing the appropriate warehouse installations and equipping them with modern lifting and transport equipment is arising. The material and technical base of supply and sales organizations should be mated with the transport and carrying capacity of each TPK's transport system.

As is known, supply and sales organizations are subordinate at the present time to the USSR Gosnab, USSR State Committee for the Supply of Petroleum Products, RSFSR Gosnab, USSR State Agroindustrial Committee, and individual ministries and departments. That is why state-wide, interbranch and branch supply system agencies, which enter into complicated interrelationships with each other during the organization of product deliveries to the consumers, function on each specific territory simultaneously. The territorial transport organizations also have a different subordination: The USSR Ministry of Railways, USSR Ministry of the Maritime Fleet, USSR Ministry of Civil Aviation, RSFSR Ministry of the River Fleet, and RSFSR Ministry of Motor Transport and Highways. The departmental fragmentation of supply and sales and transport organizations and the definite difference in their interest and activity

indicators lead to the striving of each one of them to solve the tasks of their branch first — sometimes to the detriment of the final goal of establishing TPK.

Let us look at this using the Western Siberian oil and gas complex as an example.

The major portion of material resources are being delivered to the region using main line railroad and river routes to large freight transshipping points that are usually located near the southern borders of the complex and also in the mouth of the Ob. In connection with the construction of the railroad to Nizhnevartovsk and Urengoy (with its continuation in the future to Yamburg), large ports and railroad hubs have been built in recent years in the middle Ob area and in the Far North. Supply and sales organizations of all the interbranch and leading branch supply systems, which receive "their" products and guarantee their further movement to the consumer, are located here.

The overwhelming portion of the material and technical resources in the product list of the national economic plan, USSR Gosplan, USSR Gossnab (partially), and intraministerial distribution arrive at the installations of the complex through the production and technical servicing and equipment completion bases that are subordinate to the leading ministries. Almost three-quarters of the wholesale and more than four-fifths of the warehouse sales of products in the region are carried out through these agencies. In this regard, the lion's share falls on the supply organizations of the USSR Ministry of Petroleum Industry, USSR Ministry of Gas Industry and USSR Ministry of Construction of Petroleum and Gas Industry Enterprises. The proportion of the other branches is insignificant.

Part of the products in the product list of the national economic plan and the USSR Gosplan (for the complex's southern consumers) and the product list of USSR Gossnab arrive in the region at the product delivery enterprises of Tyumenglavsnab [Tyumen Main Supply Administration] (in the cities of Tyumen and Tobolsk for consumers in Tyumen Oblast) and the Tomsksnab [Tomsk Supply] Universal Administration of Zapsibglavsnab [Western Siberian Main Supply Administration] (in the city of Tomsk for consumers in this oblast). The percentage of these deliveries, however, is not great: hardly more than one-tenth of the wholesale and almost one-twelfth of the warehouse sales. In view of the absence of a USSR Gossnab material and technical base in the middle and northern zones of the complex, part of the products in its product list are transferred in Tyumen, Tobolsk and Tomsk to departmental bases, which dispatch them along with other resources to their consumers located in the North. In this respect, the region's departmental bases, which are located at large freight transshipment points, form railroad consists, charter aircraft, and — in the summer — load vessels on the large rivers and, then, transfer the products to small-tonnage vessels and carry them on the small rivers (using

their own fleet and enlisting the aid of RSFSR Ministry of the River Fleet vessels), and — in the winter — over winter roads using motor transport basically of ministry subordination and general use motor transport for insignificant amounts.

One must talk separately about the delivery of fuel and lubricants. In view of the absence of its own oil refining base sufficient for supplying the needs of the complex for this material, the hydrocarbon raw material, which is extracted in this region, is sent in large volumes over main line pipelines beyond its borders, including to large oil refining rayons and, then, is imported in refined form in accordance with the need. Petroleum products can arrive directly at the warehouses, which are located at the departmental bases, and also at the petroleum product delivery enterprises of the Tyumen and Tomsk administrations of the RSFSR State Committee for the Supply of Petroleum Products. Often, these are located at one and the same points and there exist cases of the transfer of petroleum products from base to base. In general, the RSFSR State Committee for the Supply of Petroleum Products system in Tyumen Oblast, which has twofold less capacity at its disposal, uses them much more effectively than the department fuel and lubricant depots.

A portion of the products for the complex's installations is also received through the USSR State Agroindustrial Committee supply system. Its territorial agencies have their own bases that supply not only the kolkhozes, sovkhozes and other enterprises of the Tyumen and Tomsk oblast agroindustrial committees but also the complex's installations (for certain types of products) in accordance with existing logistics procedures. In a number of cases, their delivery is also carried out from the bases of the oblast agroindustrial committees to the departmental bases of the leading ministries for further shipment to the places where they will be used.

On the other hand, an increase in deliveries to the agricultural supply bases of the oblast agroindustrial committees from the product delivery enterprises of USSR Gossnab territorial bodies has been recently observed — basically in the oblast centers of the complex.

It is no secret that all of the territorial production complexes in the zones of new economic development are regions of intense and large-scale construction. A distinctive feature of the Siberian TPK is the practically complete absence of local construction materials. That is why they are delivered here in large volumes in accordance with the plans for oblast and interoblast deliveries in the RSFSR Gossnab system. The material and technical supply and sales administrations of the Tyumen and Tomsk oblispolkoms (within their respective oblasts) have a direct relationship to the fulfillment of these plans.

At the same time, much material and equipment for the capital construction of TPK installations is being supplied through the USSR Gossnab system. In addition,



branch supply systems, which support the consumer with other types of narrowly used products, deliver specific construction materials (for example, for drilling wells) and reinforced concrete.

Besides deliveries of mineral and local construction material, the territorial agencies of the RSFSR Gosnab are engaged in supporting enterprises and organizations of local subordination. For this purpose, they transport some types of production and technical products to their bases from the delivery enterprises of Tyumenglavsnab and the Tomsknab Universal Administration of Zapsibglavsnab.

Thus, all of the interbranch and branch supply systems work closely with each other during the material support of the complex's installations. In accordance with the existing procedure for distributing products and managing logistics in the country, each of them is responsible for supplying certain types of products, a certain circle of attached consumers, a limited territory attached for servicing, etc.

It is necessary, however, to point out that the branch supply systems are practically not connected with each other. Each of them in isolation plans the volumes and assortment of required material and technical resources, develops schedules for their transportation, builds warehouse facilities, constructs berths, builds roads, forms stocks, and coordinates with the central and territorial bodies of all of the interbranch systems and transport ministries to organize the delivery of products to the sites where they will be used. Mutual coordination of the activity of each branch supply system with the territorial agencies of state-wide and interbranch systems in the TPK is organized by it independently based on planned branch indicators and sometimes to the detriment of the final goal of establishing the TPK.

In connection with the fact that losses due to the absence of material and equipment are often more significant than deliveries using the most expensive of the existing methods at the sites of gas and oil extraction and intensive construction in the region (although let us point out that the ways to combine various types of transportation during the delivery of products are much more limited here than in the developed old industrial rayons), departmental supply and sales organizations sometimes deliver them "at any cost".

In insuring themselves against any possible disruptions in the delivery of products, the branch supply systems are creating large above-norm stocks. At the present time, approximately nine-tenths of all the stocks of commodity and material valuables are concentrated in the departmental bases with an almost twofold exceeding of the norm and an increased stock capacity in comparison with the state-wide supply system. However, in view of the complete autonomy of each branch supply system,

the transfer of unnecessary or above-norm products to the supply and sales organizations of other ministries is prohibited, even if they are behind a neighboring fence and in critical need.

It is difficult to do this even within a single ministry within the limits of the TPK. For example, the largest production association of the USSR Ministry of the Petroleum Industry in Tyumen Oblast based on the scale of the Western Siberian complex, Nizhnevartovskneftegaz, is located next to the Strezhevoy production technical servicing and completion base of the Tomskneft Production Association, which is located in Tomsk Oblast. Although both associations are TPK installations, different territorial agencies of all of the interbranch supply systems service them. These associations use approximately an identical set of material resources; however, the degree, to which their needs are satisfied, can be different in view of the different subordination of all the territorial supply agencies because they are located in different oblasts. Moreover, a division in the subordination of all territorial transport organizations occurs at the border of Tyumen and Tomsk oblasts.

Thus, Tyumen Oblast is serviced by the Sverdlovsk and Northern Railroads, Ob-Irtysh River Steamship Company, Tyumen Civil Aviation Administration, and Tyumen Oblast General Use Motor Transport Administration; and Tomsk Oblast — by the Kemerov Railroad, Western Siberian River Steamship Company and Civil Aviation Administration, and Tomsk Oblast Motor Transport Administration. As a result, the same type of products basically pass through Tyumen for the Nizhnevartovskiy oil production rayon and through Tomsk and Strezhevoy for oil production in the northern part of Tomsk Oblast.

Consequently, the division of even one branch's TPK installations (in this case, the USSR Ministry of the Petroleum Industry) by the "oblast boundary" has a considerable impact on the formation of plans for attaching consumers to suppliers, on the development of product transportation schedules for deliveries to the immediate consumers, on the effective regulation of production and technical product deliveries, and on the formation of the assortment composition of commodity and material stocks during different sections of the planning period. Although the material resources of the Nizhnevartovskneftegaz and Tomskneft production associations are strictly delimited, their supply services are compelled to arrange for an informal exchange of products when there is a production necessity because official permission to transfer individual types of material resources through Tyumen and Tomsk takes several-fold more time than their transfer from Nizhnevartovsk to Strezhevoy.

Moreover the Strezhevoy base of the Tomskneft Production Association's production and technical servicing and equipment completion administration has been forced to maintain production sections for carrying out

loading and unloading operations for the transshipment of "their" products, which arrive through Tyumen Oblast for consumers in the northern part of Tomsk Oblast, in the Nizhnevartovskiy Rayon of Tyumen Oblast. These pygmy sections are located next to large Nizhnevartovskneftegaz bases of the same ministry.

This procedure not only contributes to an increase in above-norm stocks in some supply and sales organizations and a critical shortage of them in others but also forces each branch supply system to establish "their own" bases at large product transshipment points. There is no other way out because of the delay in the construction of USSR Gosnab delivery enterprises in the middle and northern zones of the complex.

In view of the isolated planning, the establishment of a material and technical base by each branch supply system, and the absence of interbranch coordination of their capacities with the through-put and carrying capacities of the transport system on the territory of the complex, significant losses in time and an increase in expenditures for delivering products to the direct consumer arise.

In the West Siberian oil and gas complex, there is still no single body which can solve all the questions related to the rational combination and use of different types of transportation in close coordination with the supply and sales bases and the consumers. The departmental fragmentation of all the components of the supply and shipment process is seriously reflected in the work to deliver products to the places where they will be used and leads to an increase in transportation expenditures. It has been calculated, for example, that approximately one-sixth of the cost of construction material is caused by the rise in prices due to their transportation from other rayons of the country.

At the present time, transportation difficulties are being caused by the insufficient equipping of the complex's territory with main line railroad routes and the limited carrying capacities of the lines, which belong to the USSR Ministry of Railways, and the sidings of other departments. It is necessary to point out that, although the non-common use roads represent a third of the length of railroads in Tyumen Oblast, their freight turnover is sevenfold more than on the main line routes. As a result of this, coordination problems within the complex are being aggravated.

During recent years, the railroad car pool has been significantly updated, the use of advanced types of propulsion (diesel and electric locomotives) has been expanded, the condition of the railroad tracks has been improved, and modern types of communications and lifting and transport equipment have been introduced. The improvement of the technical condition of the consumer's tracks and the bringing of them into conformity with the equipment of the main line railroad lines remain an important problem now. It is also necessary to

build up the capabilities of the consumers' warehouse installations so that the freight cars are not transformed into warehouses on wheels. Because the region lacks an integrated approach to the solution of these questions, the average demurrage of a freight car during loading and unloading operations is increasing and this is causing a delay in its turnaround time.

Under conditions where there is no single agency to manage freight shipments by all types of transportation, the existing procedure of each shipper ordering assets to deliver products leads to the fact that empty runs are growing in Tyumen Oblast when there is a critical shortage of freight cars. In our view, this problem will be aggravated in the near future in connection with the sharp increase in the flow of materials to the North. The fact is that the hydrocarbon raw material, which is being extracted here, is being sent beyond the limits of the complex using main line pipelines, and all of the required material and equipment for extracting it is being transported basically from the south to the north using traditional types of transportation. That is why the loading of the rolling stock during its travel back is developing into a serious problem that is directly impacting on the usage level of transportation assets.

The interconnection of product delivery and shipping organizations in the region is graphically demonstrated in the timely delivery of materiel and technical resources to the transshipping bases for their subsequent delivery to consumers in the North. Despite the fact that USSR Gosnab annually establishes quotas for the accumulation of freight in the transshipping points, its organizations on the spot do not always exercise effective control over the progress of this process. Moreover, it is necessary to point out that cargo piles up not so much in the warehouses of the transport organizations as it does in the departmental bases of the leading ministries. The failure of supply and sales organizations to fulfill their quotas seriously complicates the work of the transport workers. For example, the region's ports sometimes transport all of the products, which have arrived during the winter, at the beginning of the navigation season, and there occur cases when the vessels stand idle in expectation of new freight. In return, the stream of freight grows so much by the end of the navigation season that it is difficult for the river workers to cope with its shipment.

An important way to improve the storage of products, accelerate their delivery and raise the level of mechanization of warehouse and loading and unloading operations is to expand packaged and container shipments especially to the extreme north and localities equivalent to it. The USSR Gosnab should coordinate the packaged shipments of not only dry cargo but also of rolled ferrous metal, small diameter pipes, etc. Despite certain improvements in this direction, one must admit that many products still go in loose form as before to the region.

The expansion of container shipments is being delayed because the USSR Ministry of Railways is far from satisfying all requests for containers. In their turn, the

consumers are delaying their handling at the warehouses and do not return them for a long time. That is why a closer coordination of the supply and transport systems is required under the conditions of the existing difficulties in transporting products and the considerable expenditures on its organization within the borders of the complex. It should be strengthened not only by the timely feeding and speed-up of the handling of transportation assets but also by the careful unloading of the rolling stock by the consumers. During one year alone, the Tyumen Division of the railroad returned almost 3,000 cars for a second cleaning. This led to their shortage, unnecessary shipments and an increase in expenditures for transporting products.

The size of the expenditures is increasing considerably because of shipments on the territory of the Western Siberian oil and gas complex. During the organization of the Urengoy deposit, according to the estimates of specialists, more than two-fifths of the transportation expenditures per one ton of freight carried went for transportation from the transshipping bases to the construction projects although the distance was almost 10-fold less than from the supplier to the transshipping bases.

This is basically happening because of the increased cost in delivering products by motor vehicle transport over winter roads. The fact is that the service life of a standard base vehicle is reduced by almost half in the north, and the expenditure of fuel increases by one-fifth when compared with operations under normal climate conditions. Moreover, when using a motor vehicle of standard construction during the winter in the northern part of Tyumen Oblast, the breakdown of vehicles increases tenfold and average tire life is reduced several-fold when compared with the summertime.

Especially large difficulties arise during the delivery of material and equipment to the oil and gas fields and the drilling and large construction projects because the roads between the fields are in poor condition. As is known, billions of rubles have been invested in the motor vehicle roads in the Tyumen North. Specialists from eight union republics are carrying out their construction. During the years of the current five-year plan, the oil workers will receive 1.5-fold more new roads with a hard covering than during the 11th Five-Year Plan.

Regarding intrafield roads, special construction trusts, which are included in the composition of the oil and gas extraction production associations, are engaged in their construction. Despite the fact that these roads are being constructed in completely uninhabited zones with severe natural and climate conditions and the fact that their cost represents hundreds of thousands of rubles, they are often built according to temporary designs without a detailed design study and economic estimates on building a "solid base" or rights-of-way on a solid foundation with a sufficiently high roadbed fill that would guarantee year-round use. As a result, the spring high-waters and

summer rains often render the temporary roads useless, and expenditures on their repeated repair are a great deal more than their original cost.

Civil aviation transports many products for consumers in the northern part of the complex. However, departmental supply organizations carry out loading and unloading operations at all large airports using their own forces and lifting and transport equipment. As a result, it is difficult to plan the loading and unloading of aircraft and to make effective use of the storage areas and base and airport workers.

The experience in developing the Western Siberian oil and gas complex shows that departmental fragmentation and lack of coordination in the capacities of the supply and sales and transport organizations lower the quality and dependability of supply operations. Moreover, an outstripping growth in the number of workers, which is due to the insufficient mechanization level of storage, transport, loading, and unloading operations, and an increase in handling and stock capacity costs are being observed in these organizations when compared with basic production.

According to information from specialists, more than half of the production workers are connected with the handling of freight during the summertime in the northern part of Western Siberia. Because of the departmental subordination of berths, lifting and transport equipment is not being used sufficiently effectively, many unnecessary roadstead maneuvering operations are carried out, and demurrage during loading and unloading is increasing. This sometimes reduces to naught the successes of the river workers in speeding up the transportation of freight. In Glavtyumen-neftegaz, at the present time, several servicing subunits have been converted into many-thousand-strong collectives. For example, the supply service has more than 10,000 people and the motor transport service more than 23,000 people. Increasing their labor productivity poses a serious problem.

During the development of the complex, the percentage of departmental supply systems in the wholesale sale of production and technical products and other volume indicators has had a tendency to grow. The percentage of interbranch systems has noticeably decreased and this has had a direct effect on the overall condition of supply in the region.

The prevalence of a branch approach to the establishment of a logistics system and its definite strengthening during the formation period of the Western Siberian oil and gas complex has caused economic damage which it is practically impossible to calculate under the existing account system — yes, and there is no one responsible for planning and organizing the supply of the complex as a unified whole because there is still no single agency.



Despite the fact that the Interdepartmental Territorial Commission for Matters Relating to the Development of the Western Siberian Oil and Gas Complex was compelled to solve individual questions concerning logistics and the transportation of products on the territory of the complex, the material support of its installations is, generally speaking, being carried out using traditional methods as was pointed out earlier. As a result, the effect, which can be obtained through the establishment and functioning of joining production infrastructure installations, is being lost. Since the commission is an agency of the USSR Gosplan, its authority is insufficient to solve the difficult interbranch problems involved in organizing the delivery and shipment of products using more effective methods. Under the conditions of a traditional approach to TPK logistics, (as this exists at the present time), the most reliable way, in our view, is to increase the concentration of supply and sales activity in the territorial agencies of the USSR Gosplan by decreasing parallel operating department organizations and increasing the role of the territorial agencies by improving the planning and distribution work and the procedure for ordering products. In this way, duplications in the activity of RSFSR supply and sales organizations and oblast agricultural supply agencies can be essentially eliminated and coordination with territorial transport organizations can be partially set right.

One should not forget, however, that this will provide a possibly noticeable but only partial improvement in the TPK logistics process because the delivery of specific products (materiel and equipment of intra-ministerial manufacturing or orders, petroleum products, etc.), in whose organization the USSR Gosplan is not at all involved, to its installations will occur as before. If one considers that these products and the mineral construction materials in the pioneer development zones represent in tonnage a considerable percentage of the imported freight, then — just as before — all deliveries will be scattered between supply agencies of different subordination although there will be an improvement in respect to high demand products.

However, the question remains — especially in the Western Siberian oil and gas complex — of who will coordinate the work of Tyumenglavsnab and the Tomsksnab Universal Administration of Zapsibglavsnab, the oblast supply administrations of the RSFSR State Committee for the Supply of Petroleum Products and the RSFSR Gosplan, as well as the oblast agricultural supply agencies and the other departmental bases; and who will have responsibility for its material support in general? Moreover, it is necessary to remember that whereas it is possible to unite supply organizations under the aegis of the USSR Gosplan in view of the presence of non-departmental system agencies on the territories, the actual amalgamation of the territorial transport organizations can be provided for only with the establishment of common agencies for controlling the transport complex in the country. Consequently, there is no one at the present time to coordinate their activity both within the

oblasts and for the complex in general (although there already exists experience in establishing combined services for different types of transport in large transport hubs using voluntary principles in view of the forced necessity to coordinate their activity).

In contrast to the traditional approach, in our view, it is only possible to achieve a fundamental solution to this question under the conditions of transforming the TPK into a program special-purpose administration installation with the establishment of legally registered agencies for such an administration. At the present time, there is still no common approach to the form of these agencies among specialists. We go along with those who suggest establishing the agencies of a program special-purpose administration of a governmental level at the center and in the local areas. In our opinion, the common administration of the entire supply and transport process can be assured under the conditions of establishing such agencies in the TPK in close coordination with the development of its production forces.

Moreover, it is necessary that the strengthening of cooperation between the supply and transport system within the TPK occur both along the line of improving the organizational structures of the management of these very important components of the production infrastructure and creating a joint material production base and by improving the economic mechanism of the interrelationships of all participants in the supply and transport process that orients their activity toward the fulfillment of the final goals of the TPK with the least amount of expenditures.

The major difficulty in this matter is connected with the combining and close coordination of existing vertical communications (within the framework of autonomous interbranch and all departmental supply and transport systems) with their horizontal communications at the level of the TPK as an independent installation. When doing this, interbranch coordination of the horizontal ties must in the end be brought to a degree of cooperation between all the participants that will represent a new integrated whole that manages the territorial and production complex as a whole through the specially created agencies within the program special-purpose administration.

In our opinion, this approach was confirmed in the decisions of the June 1987 CPSU Central Committee Plenum in which the "development of integration processes in the economy, especially horizontally" was provided for. This should lead to the establishment of diverse associations of a new type.

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## FUELS

**State Oil Field Exploitation Committee Meets**  
*18220001 Moscow NEFTYANOYE KHOZYAYSTVO in Russian No 10, Oct 87 pp 61-63*

[Article by V.Ye. Gavura and I.P. Vasilyev under the rubric "Information": "Materials of the USSR Central Commission on the Development of Oil Fields"]

UDC 622.276.11.4(47+57)

[Text] An irregular session of the USSR Central Commission on Oil Field Development was held in February of 1987 in the city of Almet'yevsk at which planning documents for the Zhanazhol Field in Aktyubinsk Oblast along with four areas in the Romashkinskoye Field (Zay-Karatayskaya, Zelenogorskaya, Aznakayevskaya and Karmalinskaya) in Tatarsiya were considered.

A process model for the development of the oil-and-gas-condensate Zhanazhol Field was composed by Giprovostokneft [State Institute for Planning and Research in the Petroleum Production Industry] (project manager V.A. Suslov).

The field is confined to a brachysynclinal fold of the meridian trend in the side portion of the Caspian Depression. Tectonic dislocations dividing the structure into three blocks were noted in the lower portion of the section. The commercial oil and gas content is associated with the two Upper and Middle Carbon Carboniferous carbonate sections.

The first carbonate section (CS-1) of 398-548 m [meters] thick is composed of limestone and dolomite. The collectors are porous-cavernous-fractal. Four productive members A, B, C and C<sub>1</sub> have been theoretically delineated in the section at depth intervals of 2,550-2,900 m. Members A, B and C are confined to gas-and-oil accumulations, while the C<sub>1</sub> member has two oil accumulations. The productive members are hydrodynamically linked and represent one stratal-mass accumulation with unified GNK [gamma-neutron logging] and VNK [water-oil interfaces] that change according to area.

Limestone with streaks of dolomite predominates in the second carbonate section (CS-2). Two productive members are delineated in the section: D and E, separated by a member of impermeable rock 4-50 m thick that is comparatively restrained in area. The tectonic dislocations in section CS-2 are broken up into blocks. Member D has oil accumulations within the bounds of blocks I and II, while block III is gas condensate and oil, while member E has two oil accumulations in blocks I and III.

The oil is sulphurous (0.66-1.0 percent); it is resinous (5.1-5.4 percent) in members A and E and less resinous (3.9-4.4 percent) in members B, C+C<sub>1</sub> and D; it is paraffinous (3.6-6.0 percent) in members A, B, C+C<sub>1</sub> and highly paraffinous in members D and E.

The first process model for development, composed by Giprovostokneft in 1980, was approved as the basis for designing surface facilities and planning oil extraction and the amount of drilling operations for the future.

Experimental-test development of the oil accumulations of the CS-1 sections was being implemented on the basis of the process design of 1982 that envisaged the delineation of three operational sites (members A, B and C+C<sub>1</sub> with their drilling in independent 500 x 500 m grids. Members A and B were planned for development in a depletion-drive mode, and members C+C<sub>1</sub> with the employment of a seven-point dispersed circulation flooding system. The expediency of flooding members A and B was planned for resolution according to the results of the experimental-test operations and test injections of water up to 1985. Over the course of 1986, the oil fringes of members A, B and C were developed in a depletion-flow mode.

Eight operational sites were delineated in the process model submitted: three in the first carbonate section (A, B and C+C<sub>1</sub>) and five in the second (sites E-III, Ev-I, En-I of member E and sites Dv-III and Dn-III in member D).

Four development variants were considered. In the base (first) variant, development was envisaged in accordance with the process model of 1982.

The second variant proposes the development of members A and B of section CS-1 using depletion drive for gas caps with subsequent conversion to barrier flooding with water-gas stimulation. The sites of S-2 are envisaged for development with the employment of barrier and dispersed flooding (sites Dv-III and Dn-III of member D), as well as a single-row dispersed system (sites E-III, Ev-I and En-I of member E).

The third variant, as opposed to the second, projects the development of sites Dv-III and Gn-III of member D using barrier flooding and water-gas stimulation of the oil fringes from the beginning of exploitation, along with sites E-III, Ev-I and En-I of member E using single-row dispersed flooding for strata degassed in advance.

The fourth variant envisages conserving the reserves of the poorly productive sites A and E-III; process solutions for the remaining sites have been left without change (third version). The authors have recommended the fourth variant for realization.

Noted in discussion were the insufficient study of the geologic structure and principal geological and physical parameters, especially of the CS-2 section, and the poor degree of realization of the approved planning solutions and the necessity of theoretical and experimental research to study and create new and effective stimulation processes; measures to fight paraffin deposits were also insufficiently developed in the process model.

The central commission addressed the extremely complex geologic structure of the Zhanazhol Field, which contains reserves of various hydrocarbon components and requires a non-traditional approach to planning its development. The field is in the initial stages of study, and the parameters of the strata, especially the CS-2 section, are poorly studied, while the physical properties of the condensate in the gas caps has not been researched at all. The experimental-test development of the accumulations in the first carbonate section did not accomplish all of the assigned tasks: water was not pumped into the accumulations of members A and B and test exploitation of the lower carbonate section was not accomplished.

The central commission approved a process model for the development of the Zhanazhol oil and gas-condensate field with the delineation of eight operational sites and the drilling of the sites in the first and second sections in equilateral triangular grids of 500 x 500 m and 700 x 700 m respectively.

The decision was made to develop all of the operational sites in depletion modes. A commercial experiment in the northern dome of member C in the employment of barrier flooding with the organization of water-gas stimulation is projected for 1988. The expediency of its application at the remaining sites with a gas cap should be decided according to the results of experimental operations in the northern dome. Sites EV-I and En-I are planned for development in depletion-drive mode, while a system of stimulation will be determined in subsequent process documentation.

Giprovoostokneft, in conjunction with the Nefteotdacha [Petroleum Recovery] MNTK [Intersector Scientific and Technical Complex], has been charged with compiling a comprehensive program of scientific and technical operations (the Zhanazhol Program) for further study of the geologic structure of the field and the parameters of the hydrocarbons saturating it, the creation of effective development processes based on the theoretical and laboratory research that has been conducted and analysis and summarization of the results of test operations in the northern dome of the C+C<sub>1</sub> along with the realization of thermo-dynamic research in determining the content and physical properties of the condensate in the gas caps in order to ensure the maximum extraction of all hydrocarbon components.

Also considered were plans for the development of the Zay-Karatayskaya (project manager Z.S. Kuznetsov) and Zelenogorskaya (project manager A.G. Sharipov) areas and elaborated plans for the development of the Karmalinskaya and Aznakayevskaya areas of the Romashkinskoye Field (project managers R.G. Ramazanov and G.F. Verevkina).

All of the areas are in the latter stages of development. The productive strata of the D<sub>1</sub> horizon, characterized by a complex geologic structure, were singled out as an operational site. The sandstone coefficient varies from

0.42 to 0.55, and disjointedness from 2.32 (Karmalinskaya area) to 5.55 (Zelenogorskaya area); the average oil saturation of the section is 3-9.4 m, permeability is 0.177-0.423 microns per square meter and porosity is 0.187-0.203; the viscosity of the stratal is 3.5-4.6 MPa-seconds [megapascal-seconds]. The oil is paraffinous (2.4-4 percent) and sulphurous (1.1-2.0 percent).

Analysis of the current state of development made it possible to reveal the incomplete realization of the approved planning documents. A system of geometric flooding has not been conclusively formulated at the Zay-Karatayskaya area, and measures to assimilate the injection wells and create an independent stimulation system for the aleurolite and sand lenses have not been executed. The planned productivity of the new wells has not been confirmed: the average daily oil yield for one new well was 9.7 tons as opposed to the planned 16 tons.

Analysis of the working of reserves shows that the worst indicators are noted for the strata of the upper member ("a," "b<sub>1</sub>," "b<sub>2</sub>" and "b<sub>3</sub>"), typified by phacoidal and banded folding and principally aleurolite. These strata thus are encompassed by dispersed flooding across the area of 9.2 percent, at the same time as the strata of the lower member ("c," "d" and "e") has a spatial dispersion of 80-100 percent.

The unsatisfactory technical state of 38.7 percent of the producing wells and 45 percent of the injection wells due to breaches of the seal of the flow strings was also discovered.

Low rates of start-up of producing wells, lower yields for new wells and higher actual water encroachment compared to the plan were typical of the Zelenogorskaya area. The intensive geometric (selective) flooding system created there has made it possible to bring the larger portion of sandstone deposits into development, but has been unable to provide for the working of reserves in the small sand lenses and aleurolites, which requires further improvements in and a strengthening of the flooding system.

Low rates of development of the aleurolite and muddied sand collectors have been noted at the Karmalinskaya and Aznakayevskaya areas, notwithstanding the realization of the basic provisions of the 1978 plan concerning drilling and assimilation of line and geometric flooding. The collectors in the Aznakayevskaya area with a permeability of over 0.1 microns per square meter and a volumetric clayiness of less than 2 percent are being developed at greater rates than collectors with a permeability of over 1 micron per square meter and a volumetric clayiness of over 2 percent.

A whole set of geological-process and technical measures were proposed in the plans under consideration for further improving area-development systems.



Steps were considered to subdivide the formation at several injection wells to create independent flooding systems for individual strata and lenses, the development of geometric flooding, the formation of additional dividing lines and the drilling of wells into the aleurolites and unworkable sandstone reserves to raise the injection pressure to 25 MPa on the aleurolites and to 20 MPa on the sand lenses along with the pumping of stratal water into wells that have opened up strata with clayiness of less than 2 percent and the employment of non-stationary flooding, accelerated liquids extraction, the injection of surfactants and the reconstruction of old KNSs [group pumping stations] and the construction of new ones.

The central commission also noted shortcomings in planning documents: capital spending for the development variants was calculated without regard for the actual state of area surface facilities, the actual and planned capital spending and the reasons for their divergence for the plan approved earlier were not analyzed, the drilling of additional wells for the basic inventory and stand-bys was inadequately substantiated, as a consequence of which about 200 low-efficiency wells were proposed for elimination, the technological efficiency for each hydrodynamic development method proposed was not evaluated and proper attention was not paid to the quality of the exposure of productive strata.

The central commission approved the planning documents for the areas of the Romashkinskoye Field considered along with the suggestions made in discussion.

TatNIPnefti [Tatar Scientific Research and Planning Institute of Petroleum] has proposed making an evaluation of the effect of hydrocarbon solutions on the quality of the exposure of productive strata and summarizing the results and preparing recommendations for the further development of these operations. Laboratory research has been projected to study the effect of clay swelling on injection-well intake capacities and to develop measures to avert the appearance of these phenomena.

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#### Management of W. Siberian Oil, Gas Complex Examined

18220010 Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 9, Sep 87 pp 112-115

[Article by A. Khalaberda under the rubric "Readers Propose": "The Issue of Managing the Development of the West Siberian Oil and Gas Complex"]

[Text] An important place is allotted to territorial production complexes in the economic strategy of the CPSU at all stages of socialist construction. It is enough to recall those such as the Urals-Kuznetsk, Bratsk-Ust-Ilimsk, Kansk-Achinsk, Pavlodar-Ekibastuz and many others.

The plans for their development were important constituent elements of many five-year plans. This is explained first of all by the fact that practically all of the complexes were created when the national economy required bringing in these or those highly efficient natural resources, which in and of itself had a great national-economic impact.

An increase in the efficiency of natural-resource recovery on the territory of any region is facilitated by a comprehensive approach to the resolution of this task. It creates an additional economic impact through: the utilization of a regional combination of natural resources; the cooperation of enterprises and organizations of various ministries and departments in the joint construction and operation of facilities in the productive and social infrastructure; and, the more complete and efficient employment of labor resources as the medium of cooperation, as well as thanks to the involvement of second and third family members in production and a number of other factors.

At the same time, notwithstanding the relatively prolonged period of existence of territorial production complexes, the management of their development is still a weak spot. In many instances the ministries and departments whose enterprises and organizations are part of the complex give preference to sector interests in the resolution of this or that other issue, as a result of which the nationwide economic impact is diminished. This is felt especially acutely in relation to the major multi-sector complexes.

One of the largest, without analogue in the history of our national economy both in scale of the amounts of operations executed and the importance of the problems being resolved and in economic efficiency, is the West Siberian Oil and Gas Complex (WSOGC). It is an aggregate of enterprises and organizations from eight ministries (USSR Mingeo [Ministry of Geology], USSR Minnefteprom [Ministry of the Petroleum Industry], USSR Mingazprom [Ministry of the Gas Industry], USSR Minneftegazstroy [Ministry of Construction of Petroleum and Gas Industry Enterprises], USSR Minenergo [Ministry of Power and Electrification], USSR Minneftekhimprom [Ministry of Petroleum Refining and Petrochemical Industry], USSR Mintransstroy [Ministry of Transport Construction] and USSR Minuralsibstroy [Ministry of Construction in the Urals and Siberia]) operating on the territory of Tyumen and Tomsk oblasts, and it has as its principal mission the production of oil, gas and gas condensate, the refinement of hydrocarbon raw materials and the generation of electric power on the basis of natural and petroleum gas. The largest raw-materials and fuel-and-power base in the country has been created here over two decades. Today over 65 percent of the oil and 61 percent of the gas in total nationwide volumes of extraction is currently produced in the oil and gas fields of the complex.

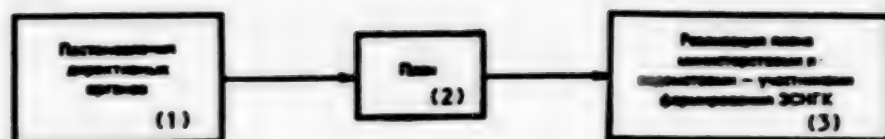


Fig. 1.

Key: 1—Decrees of directive organs; 2—plan; 3—plan realization by ministries and departments participating in the formation of the WSOGC.

In the scale of capital investment, the complex has no equal in either domestic or foreign practice. "Here the equivalent of two Volga Motor Vehicle Works is built every year, or two BAM lines every two years, in the amount of work done." The amount of capital investment in the 12th Five-Year Plan compared to the preceding one has increased considerably, and according to the studies of VNIKTEP [All-Union Scientific Research Institute of Comprehensive Fuel-and-Power Problems] of USSR Gosplan it will not decline until at least the year 2000.

The impact of the development of the West Siberian Oil and Gas Complex (like any other) will be the greater to the extent that steps to bring the interests of various ministries and departments closer together are able to be organized and brought about, and this in turn depends to a considerable extent on the efficiency of the management mechanism. Under conditions of a restructuring of management in the national economy as being implemented in accordance with the resolutions of the 27th CPSU Congress, the role of centralized regulation of the development of multi-sector territorial production complexes increases to the extent that the solution of intersector problems can be planned and implemented from the perspective of observing statewide interests only in the presence of the appropriate extra-departmental management mechanism.

The management structure for the development of the west Siberian Oil and Gas Complex has been different at different times. At the stage of its formulation, a most simple scheme was operative. It can be theoretically presented as such (Fig. 1).

Intersector problems that arose were resolved to a certain extent by the USSR Council of Ministers and USSR Gosplan according to this scheme. By the end of the 9th Five-Year Plan, however, to the extent of increases in operational activities on the territory of the complex, the necessity of a permanent interdepartmental organ to manage the development of the complex was being felt more and more. At the 25th CPSU Congress it was noted that in order to fulfill this task, specific people were needed who would bear full responsibility and coordinate all efforts. In this regard, the Commission of the Presidium of the USSR Council of Ministers on Issues in the Development of the West Siberian Oil and Gas Complex (WSC) and the Interdepartmental Territorial Commission on Issues in the Development of the West

Siberian Oil and Gas Complex of USSR Gosplan, located in Tyumen (ZapSibMVTk), were created in 1980. Their creation visibly altered the scheme for management of the complex (Fig. 2). During the period of operation of this scheme (until October 1985) there were appreciable shifts in strengthening work on problems of an interdepartmental nature. Such organizations essential to the efficient functioning of the complex as the Ob-Irtysh United Shipping Company (RSFSR Minrechflot [Ministry of the River Fleet]), the Tyumen Territorial Association for Industrial Rail Transport (USSR MPS [Ministry of Railways]) and the Severtymenavtotrans [North Tyumen Motor-Vehicle Transport] Association were created on the territory of the organization, and a network of unit and assembly repair and exchange stations for transport and road-construction equipment began to function (USSR Minavtoprom [Ministry of the Automotive Industry], USSR Ministroydormash [Ministry of Construction, Road and Municipal Machine Building] and USSR Minselfkhovmash [Ministry of Tractor and Agricultural Machine Building]), through which the foundation for the development of a repair and maintenance service system for the technology and equipment employed in West Siberia was laid.

The activity of the Tyumen Territorial Association of Industrial Rail Transport in Tyumen, Surgut and Tobolsk over 1986 alone made it possible to reduce railcar idle time in loading and unloading operations by 2.4 times with a simultaneous reduction of 63 percent in the amount of shunting locomotives used. Additional access to the line of about 800 trucks a day was provided for and an economic impact of over 21 million rubles was obtained through the organization of service repairs of units and assemblies of trucks.

The implementation of measures of an intersector nature made possible the fuller utilization of the advantages of the territorial production complex as a form (method) of economic development. Furthermore, enterprises of distinctive sectors in the complex began to be freed of work not characteristic of them.

The Dedicated Comprehensive Program for the Development of the West Siberian Oil and Gas Complex for the Period 1980-1985 and the Future to the Year 1995 (DCP) played a definite role in raising the quality of planning and management in the complex during this

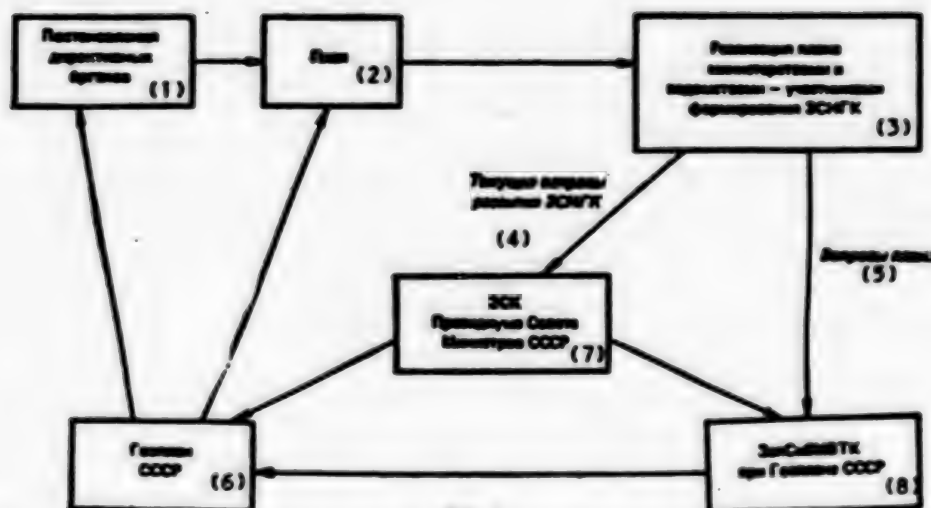


Fig. 2.

Key: 1—Decrees of directive organs; 2—plan; 3—plan realization by ministries and departments participating in the formation of the WSOGC; 4—current issues of WSOGC development; 5—plan issues; 6—USSR Gosplan; 7—WSC of the Presidium of the USSR Council of Ministers; 8—ZapSibMVTK of USSR Gosplan.

period. Even though it was not brought along to approval, nonetheless the subprograms prepared within its framework on transportation and power engineering made it possible to envisage the development of the electric-power supply and transport schemes on the territory of the region in a more skilled fashion and with a regard for the interests of all sectors in the 11th and especially in the 12th Five-Year Plans.

The postulation of the directive organs for the comprehensive development of the oil and gas industry in West Siberia for 1986-1990, of which M.S. Gorbachev said "this is a fundamental document that opens up a qualitatively new stage in the development of the region,"<sup>2</sup> was also developed during this same period.

In the last years of the 11th Five-Year Plan, unfortunately, the rate of development of the oil industry of the complex slowed down, connected with the beginning of a decline in oil production at a number of major fields, the necessity of mass conversions of wells to mechanized modes of operation, the bringing of a large quantity of new fields into development and a worsening (to the extent of the advance into the northern regions) in geological and climatic conditions. For these reasons, positive features of the organizational structure of complex management operative at that time were not properly evaluated. The situation with WSOGC management was further complicated when the Commission of the Presidium of the USSR Council of Ministers on issues in the development of this complex was disbanded.

As a result of energetic steps to render assistance to Minneftprom in 1986, the situation in oil production

was noticeably stabilized and the majority of the oil-producing enterprises of the West Siberian Oil and Gas Complex have coped with plan fulfillment since the beginning of 1987.

More and more difficult problems are appearing, however, in the development of the complex in connection with the growth in the amounts of work and spending along with bringing a larger quantity of new oil and gas fields into development that are located in the northern part of Tyumen Oblast in difficult climatic conditions. At the same time, the necessity of raising the quality of planning decisions in planning the intersector aspects of WSOGC functioning is growing stronger. From my perspective, most optimal and effective would be the creation of a unified operational management organ for the West Siberian Oil and Gas Complex that would be allotted the corresponding resources and rights. This is unrealistic, however, for a number of reasons. Most expedient and easily realized, therefore, would seem to be the following scheme for management of the complex (Fig. 3).

Almost all the links in this system already exist. In order to ensure the best monitoring of the fulfillment of current issues in the development of the complex and the authoritative solution of intersector problems, it seems expedient to create a department or something else, even a small subdivision, on issues in managing the development of the complex as part of the Bureau of the USSR Council of Ministers on the fuel-and-power complex.

Within the framework of the proposed organizational structure, the process of management would be accomplished in the following manner. At the order of USSR



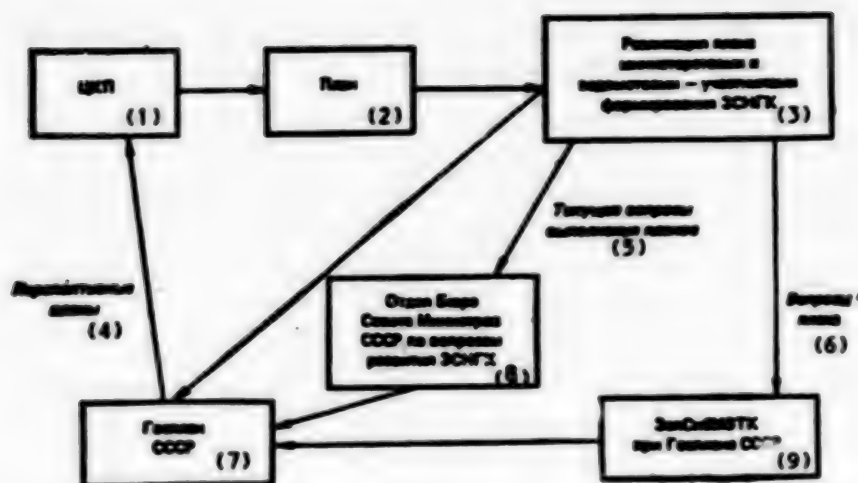


Figure 3

Key: 1—DCP; 2—plan; 3—plan realization by the ministries and departments participating in the formation of the WSOGC; 4—long-run plans; 5—current issues of plan fulfillment; 6—plan issues; 7—USSR Gosplan; 8—WSOGC Development-Issues Department of the Buro of the USSR Council of Ministers; 9—ZapSibMVTk of USSR Gosplan.

Gosplan, the VNIKTPE of USSR Gosplan, with the participation of the IKTP [Institute of Integrated Transport Problems] of USSR Gosplan and the corresponding sector institutes, does the initial development of a Dedicated Comprehensive Program for the Development of the West Siberian Oil and Gas Complex with the reckoning that the proposals prepared for each subsequent five-year period be sent to the USSR Council of Ministers, USSR Gosplan and interested ministries and departments by the beginning of development of the concepts for the next five-year period. Principal attention in this program should be concentrated namely on issues of an intersector nature (production and social infrastructures). After coordination with the interested ministries and departments, it forms the basis for a draft of the five-year plan for the development of the complex.

The ministries and departments bear full responsibility for the unconditional realization of the plans. They have the right, however, to appeal for assistance when necessary on current issues of plan realization to a specially created department (or other subdivision) that is part of the Buro of the USSR Council of Ministers on the fuel-and-power complex, and to ZapSibMVTk or USSR Gosplan on issues of yearly planning or plans for the long run.

ZapSibMVTk, whose main task is the pre-planning study of development problems for the complex and the rendering of assistance to USSR Gosplan in resolving individual issues, monitors plan fulfillment (and first of all on intersector problems). It should have the right therein to make its own suggestions to correct provisions to the interested ministries, USSR Gosplan or the Buro of the USSR Council of Ministers depending on whose purview the problem falls under.

USSR Gosplan (and its corresponding departments) decides within the framework of which plan—the yearly or the five-year—the realization of this or that problem should be envisaged. In the latter case, the problem is transferred to the institutes for additional study.

The Buro of the USSR Council of Ministers is occupied with current issues in plan fulfillment, and where necessary brings other buros of the USSR Council of Ministers or the immediately interested ministries or departments in on their resolution, striving for the realization of plans to the full extent.

The management cycle for the development of the West Siberian Oil and Gas Complex will thus be a closed one that will embrace all spheres of its formation and development.

The realization of the management scheme considered would make it possible, under conditions of the large-scale investment of monetary, material and other resources allocated by the state for the development of this complex, to ensure the more economical and efficient utilization of these resources and a considerable economic impact precisely through the advantages offered by the comprehensive solution. It is very important that each of the management echelons cited not duplicate each other and answer for its own circle and level of issues.

#### Footnotes

1. Gorbachev M.S.; Siberia—an Accelerated Step. Speech at a Conference of Party and Operational Activists of Tyumen and Tomsk Oblasts. 6 Sep 85. Moscow: Politizdat Publishing House, 1985. p 15.

2. Gorbachev M.S.; Siberia—An Accelerated Step. p 7.

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**Infrastructure Difficulties Facing Oil Workers Noted  
18220014 Baku VYSHKA in Russian 29 Sep 87 p 2**

[Article by M. Gasanova: "The Oil Worker's Occupation and Its Prestige: Pain Points"]

[Text] A day comes in the life of every man when he must decide what place to take in society and to what to "dedicate the fine impulses of his soul" without holding anything back. In short, who to become. The time does not seem so far back when the oil worker's occupation had priority among hundreds, indeed even thousands of other trades even though this work has always been considered quite hard. But it was popular, very important and equally prestigious, in the center of universal attention, a subject of constant concern. Health centers and sanatoriums were built for the oil workers, housing was erected, and there were weekend cottage plots at the seashore. Books were written about them, songs were made up.... The courageous labor of the oil worker was glorified and esteemed, and this was attractive and inspiring.

Today the talk is different—about the declining prestige of this occupation, about how the manpower of the oil fields is getting older. And that is actually the case. The inflow of manpower to the fields has become weak and sluggish, and at this point it is not easy to say exactly when this process of slowing down began.

In a recent assembly of the party-economic aktiv it was said that for many years "Azneft" had experienced a chronic shortage of skilled workers. A serious reproach was addressed to vocational and technical schools Nos 1 and 14 in Baku and No 28 in Ali-Bayramly, which are its sources, which have not been satisfying the association's requirements in the necessary specializations, and which have been lax in the indoctrination effort with students.

**I Would Like To Be an Oil Worker...**

Every year teachers from the two specialized vocational and technical schools [SPTU] Nos 1 and 14 in Baku, which train oil field personnel, spend quite a bit of time in the city's general public schools, they arrange for their students excursions to the oil fields, to the SPTU's, and to the trade union center in order to attract attention to oil field occupations. Visits are even made with contracts to the parents of certain students. But, alas, their efforts have been in vain and without results. It seems that the city children have no interest whatsoever in this specialization. Earlier this was not evident: the SPTU's somehow fulfilled their recruitment plan and then some. And it was not so important by what means or who the people were. But as soon as the question of registering in Baku

became more restrictive, the problem of training oil field personnel became evident. It turned out that for a long time the oil sector was "fed" mainly by virtue of children who came from the outlying areas of the republic...who were after registration in the city.

During the last academic year SPTU No 14 was unable to recruit even enough students to fill the groups of operators for underground well repair. SPTU No 1 was left without the group of lathe operators to support drilling operations and without those same operators for underground well repair. Nor has recruitment for these groups gone easily in the current academic year. The days to the end of the month were numbered, and the groups of underground well repair operators and petroleum and gas production operators had still not been set up in SPTU No 14. During the time I was at SPTU No 1 quite a few young people looked into the room where registration was done. Over and over they asked the same question: "Are there places in the automobile mechanic groups?"

It would be incorrect to say that there are no young people attracted to the occupation of being an oil field worker. Incidentally, you can meet them even today in the oil fields. But this occupation does not have the attraction it once did. Many graduates of the vocational and technical schools never get to the oil fields. Some have failed to return after serving in the armed forces, some have worked for a time and then left the NGDU [Petroleum and Gas Production Administration], and some after receiving their oil worker's diploma transfer into some other sphere altogether.

"The young people are not becoming oil field workers. It is not one of the easy occupations, it is better to go to a plant: there they have a roof over their head and the conditions are different, not to be compared to the oil field, and the earnings are not bad either. It was difficult to fill the groups for assistant drillers. Not many were interested. Our vocational guidance work is yielding practically nothing," said M. Niftiyev, the saddened deputy principal for academic work and indoctrination of SPTU No 1.

It seemed to M. Mamedov, senior skilled craftsman, that his colleague had been more frank than he should have been, that he was exaggerating, and so he began to tell about the school's successes, about graduates working in the NGDU, about teachers....

And at SPTU No 14 I was introduced to good teachers who deserve credit. There is no question that it is a good school and has conscientious, experienced, and knowledgeable teachers. But it also should have everything necessary to be called a material and technical base. At first the technical adequacy of the display rooms of the SPTU seems up-to-date and meeting the requirements of the times; there are a great many mockups, visual aids—the fruits of the creative work of the teachers, skilled

craftsmen, and students. But behind all this, which is skillfully done and catches the eye, there are problems hidden which probably have one thing in common: the lack of necessary attention on the part of the base enterprise, i.e., "Azneft."

It has now been 64 years that SPTU No 14 has been located in an old building built before the revolution and adapted to house the educational institution. The workshops are some 200 meters from the SPTU, the dining room is even further, and the dormitory is not near at hand. There are quite a few unresolved problems at SPTU No 1 as well. Whereas transport connections to SPTU No 14 have been relatively well-organized, quite recently it was a real problem getting to the one in Surakhn Street. This is also an old building, and the "Azneft" Building Repair Administration has been repairing it for more than a year now. Every winter both the students and the teachers freeze within its walls because it neither has central heating nor any other heating at all. It also lacks running water. The ZhKKh [Housing Construction Operation] of "Azizbekovneft" brings water extremely irregularly, with long interruptions. The baths are far away, and there is no shower room in the dormitory. And what is the dormitory itself like? What the students of SPTU No 1 lived in for a long time and at present still live in. Like an orphan whose parents are living: bare gleaming walls, antediluvian blue bedside tables, filthy mattresses, soil bed linen. Assuming the desire and the capabilities—and the SPTU, I was told, has them, since some of the funds which the students earn in their practical training goes into the schools' fund—it is quite capable of being given a normal appearance. Not long before coming here, I visited the NGDU "Kirovneft." It happened that I met A. Amirov here, a former employee of this school who is now a senior skilled craftsman for underground well repair:

"The training here has been poorly organized. They do not have the machine tools or equipment they need. For example, they are training tractor operators, but the pupils do not even know what that tractor looks like."

"We provide the students theory. All the rest of the knowledge and skills the young people get during their regular production training. The program for all groups of oil field occupations includes operating a lathe and welding. And there is everything necessary in our workshops for them," M. Mamedov said.

If one looks objectively, without preconception and bias, then this entire scant plant which the SPTU possesses went hopelessly out-of-date long ago. The vices, the hammers and chisels, a few boring machines, and models of drilling equipment....

I remember the sincere confession of E. Aliyev, a past graduate of the SPTU who is an underground well repair operator of the NGDU "Leninneft":

"Until you got to the field, you plainly did not know what a rod, a wrench, or a pump were."

It would be unfair to put all the blame for this on the school. After all the management of the "Azneft" PO was not unaware that the conditions in which the school's teachers were performing this important mission were out-of-date and had been behind the times for a long while.

The deliberate failure to see shortcomings always results in serious miscalculations. In order to cope with them now, long lists of intended measures and drafted recommendations are needed. There was talk even at the beginning of the summer about moving the school to a former administrative building of the NGDU "Ordzhonikidzeneft." But the move would have coincided with the beginning of the academic year and would have caused a great turmoil. There is also an outstanding order of the Baku Administration for Public Vocational Education to move the dormitory of SPTU No 1 to a well-equipped dormitory of SPTU No 74 as of 1 September, but here again they had to wait until the new year for some reason.

Regardless of whether that is what we intend, this attitude has a disastrous effect on the minds and souls of young men. The concern about them is incidental to other things, their training is lost in other matters. Is that the reason why they work without any particular effort, why they easily give in to all sorts of dependent attitudes?

#### But What Is Standing in the Way?

My acquaintance is old enough to have a clear idea of the ins and outs of life. That is, they were so long as they worked in Nizhnevartovsk. He has an interesting pedigree. His grandfather was among the workers who bailed petroleum out of wells with buckets. His father's life took a different turn. He had occasion to graduate from an institute, and he received higher petroleum education. He was sent on an assignment of the party to Ukhta, he worked in Groznyy, Almetevsk, Neftyanoye Kamni, and in "Leninneft." He was a man who was infinitely devoted to the difficult work which he had chosen once and for all. And it rewarded him. He was even awarded government prizes and honor and a long memory living after him in the collective. So far my acquaintance has not earned any of this. He left Nizhnevartovsk, left the oil field where they still remembered and honored his father.

"It is hard work, and there is no return. The output is small, and there is not much money. You are not paid for length of service, you cannot expect bonuses.... People have stopped esteeming the work of the oil field worker. That is why there is no influx of manpower, but only an outflow. Where will I go? Perhaps into the trade sector?"

If my acquaintance were the only one who thought like that, there really would not be any problem at all. But this is what was said in different ways by all those we had occasion to meet and talk with in the display rooms of "Azneft," in the sections and fields of NGDU "Leninneft," "Kirovneft," and "Azizbekovneft," and in the city SPTU's Nos 1 and 14.



"The wages are low. Construction projects have a very difficult time making their way, working conditions are problematical by comparison with those in a plant," we were told in an interview with M. Mamedov, deputy general director of the Association "Azneft" for social welfare matters.

I will give a few figures obtained in the personnel department of the association. The NGDU "Leninest" has a work force today of 3,384, only 711 of whom are workers under age 30. In "Kirovneft" there are 460 young people in a work force of 1,800. In the NGDU imeni 26 bakinskiye komissary there are 969 young workers in a labor force of 3,786.

Faramaz Ismaylov, fifth-class operator for petroleum and gas production in the NGDU "Ordzhonikidzeneft," which has now merged with "Azizbekovneft," has been working nearly 40 years. All of that time in one and the same fifth shop. What was the most popular occupation after the war? Oil field worker! That is why he, a peasant lad, set off without thinking it over too much to the trade school in Razina, which is now SPTU No 74, where he completed his training in 2 years and then went out to the oil fields with 32 other future oil field workers. F. Ismaylov even knows who is working where today. Not one of that group of specialists has turned elsewhere.

"But what is the situation now? In the last 2 years hardly any young people have come; 80 percent of the workers in our shop are pensioners. How long has it been that we have been looking for a field machinist...."

"Some 6 years ago we took 12 graduates of SPTU No 74, which is in Leninskiy Rayon," he was interrupted by M. Bayramov, Hero of Socialist Labor and chief of the eighth field of NGDU "Leninest." "The young people worked about 3 months and went off to serve in the army. None of them ever even returned to the field. Recently, none of the young people have been coming to us."

Other petroleum and gas production administrations are also gradually becoming older. In response to my question: "What is the reason for this?" Musa-dai, 80-year-old veteran of the oil fields, responded with a recollection.

...Bagadur Balayan, Lyatif Tairov, Nushiravan Aliyev...46 future petroleum production operators were brought by Bayramov in 43, during the war, to the first field. They were placed in dormitories, and they received financial aid. In those difficult times it can be said that generous attention was paid to the lads. When the time came, weddings were arranged in the dining room here. And then the young families were provided apartments. But what is the case now?

Were there many such Komsomol weddings?

"It seems that there were one or two," K. Allahverdiyev, secretary of the NGDU's Komsomol organization, answered without confidence. So uncertainly that it made one doubt whether there had been any at all. It has also become rare in the NGDU for people to move into new housing. This is a painful problem for many people here. Today there are 450 people on the waiting list for an apartment in the NGDU, including workers who have been waiting their turn since 1962...(!), a quarter of a century. Just imagine waiting that long to have one's own roof over his head! Incidentally, judging by our newspaper, in 1962 the housing problem in "Azneft" was not so acute and painful. On the contrary, in 9 months of that year workers and employees of the association received 40,000 square meters of housing. But now....

"The NGDU has not been doing any construction at all in the recent past. We also lack a family dormitory. All because there was a gap between plans. But now the opportunities have arisen, we soon will begin a large construction project—two five-story residential buildings, a seven-story family dormitory," reported E. Makhmudov, secretary of the party organization of the NGDU "Leninest."

The words of deputy general director of the Association "Azneft" M. Mamedov also sounded encouraging:

"Eight apartment buildings will be open to occupancy in the association this year. All of those who have been on the list for an apartment between 1962 and 1970, 48 of them, will be provided apartments by the end of this year."

So, the plans are good, and we very much hope that it will work out that way.

The 27th CPSU Congress focused on the interests of the workingman, who is the foundation of production. Failure to pay attention to this today means holding back the forward movement. And it seems that the NGDU "Leninest" has still not felt the winds of change. It is just as though it is stuck in an old rut.

...Agamekhti Ali ogli, a driver in the NGDU "Leninest," proved to be a man who liked to talk and who knew what he was talking about:

"After all, what normal parents would let their children work here?" he asked me, as he spun the steering wheel to jockey the automobile in the ruts and potholes of the field roads. "Out in the rain, in the snow, in the wind, for some...." here he made a somewhat scornful, but rather expressive gesture rubbing his fingers, conveying to me that what goes into work which is officially acknowledged to be heavy is by no means fully compensated in financial terms.

He has been working the NGDU for 40 years now. He could surely find an occupation that would not involve so much jolting, just like his sons, if he were not bound to the NGDU by a strong habit. When we drew up to the sixth section of the underground and major well repair shop, it was noontime.

We were met at the entrance to the culture hut by Telman Kafarov, the section's senior foreman.

The workers sitting in the obscurity of the culture hut drinking kefir were reconverting the improvised dining room. They went off to their rigs out in the field. By all appearances they had had their meal here and intended to drink a bit of tea. Not far from the wheezing tractor-hoist smoke was coming from a charred log that had been hastily stamped out, and the world's sootiest teapot was shooting steam from its spout in the cart for carrying tools.

In a few minutes the oil field workers huddled around me.... We became acquainted: Makhmud Akhmedov, underground repair foreman, Nofal Abbasov, underground well repair operator, and Alisafa Guseynov and Ismail Ismaylov, drivers and machine operators who operate the hoist. And they began to talk, vying with one another, about what was lacking and about the conditions in which they had to work.

"Before there was a dining room in each field. Or a snack truck brought hot sausages, chops, lemonade, water for drinking and washing, from one section to another, but now there is nothing of the kind," the workers complained.

The field lunchroom did not have a splendid variety: sausage, kefir, and cheese. Day after day the same thing.

"Do you know how we wash our hands before we eat? We remove the heavy oil with sand, and then we rinse them in these salty puddles," said N. Abbasov, excitedly.

"And what kind of structure is that?" I said, pointing to a one-story dilapidated building not far away.

It turned out that it was empty, not needed by anyone. And there are quite a few abandoned structures of this kind taking up space in the fields. My eye ran over the area of the field. How cluttered it was with everything! Stone structures half falling down, rusting settlement tanks lying on their side. They installed the new ones, but they did not collect the metal scrap from the grounds. There is quite a bit of disorder in other petroleum and gas production administrations as well. And perhaps the grounds of a field are exactly what the word implies and no more is required of it? But then there is a tiny oasis around the culture hut in the sixth section of the NGDU "Leninest." It was Telman Kafarov who brought the despondent landscape to life, who hauled the soil, who planted the trees, and who packed down the road together with his comrades. And it must be said that the appearance is altogether different. There is truth in the

folksaying: There are no situations without some way out. There is simply mismanagement, indifference toward the conditions in which the workingman performs his duties.... Sometimes we elevate to the rank of insoluble problems what depends on elementary performance of our official duty.

But that, it is true, is still only half the trouble. What about the rest? In our century of scientific-technical progress much is done by hand in the fields. And not at all because it is more convenient or reliable to do it that way. But simply because equipment is lacking for major repairs, there is a lack of quality above-ground petroleum equipment, specialized apparatus for underground repair used to automatically tighten and loosen pipes and rods.

After all, there are air wrenches and hydraulic wrenches of domestic design or produced in Japan or America that make work easier. But the sections have not been furnished all of this up-to-date equipment in sufficient quantity.

In his speech at the June (1987) Plenum of the CPSU Central Committee M.S. Gorbachev noted: "There is an acute problem with the need for a qualitatively new approach to the organization of work. What we have is as a rule yesterday's approach or even the day before yesterday. We need the kind of organization of work that would meet the present-day requirements of scientific-technical progress and would take advantage of the best Soviet and world experience.

"...The system of remuneration and work incentives must be structured in a new way. But here it is particularly important that every worker's actual wages be made strictly dependent on his personal contribution of work to the end result and not be limited by any kind of maximum."

It seems that that passage can be fully applied to the work of the oil field workers. Everyone we had occasion to meet and talk to spoke in unison about the low earnings.

The salary of operators in petroleum production depends entirely on skill class. There are also gradations within the class: the rates are higher when the plan is fulfilled and lower if the NGDU has fallen short.

The underground people work at piece rates, in brigades of six people each. And their earnings depend on the number of wells repaired per shift. The character of the work is itself not easy, and it is made still more complicated by weather conditions.

In that unbearable heat I consumed energy only in walking and asking questions. But at the end of the day I felt extremely fatigued. What is it like for the workers who in this heat have been moving around pipe, rods, deep-well pumps, and other equipment?! And then what

an idea stuck in my brain like a nail. What parallel can be drawn here between the work of these men and those enterprising habitues of the kolkhoz markets? Of course, there can be no question of any comparison. Then why is it that the latter can put in his pocket and only in his own pocket the monthly wages of, say, a production operator in just a few days or indeed even hours? What is more, they enjoy all the benefits of life without hindrance, whereas a multitude of problems spring up in the way of the worker. And they include some which have not been resolved for years.

Can it be written down at birth that the culture hut must be a primitive structure, four walls with a roof coated with a low grade of crude asphalt and a floor that is peeling? Do the clothes lockers have to be rectangles painted in banal colors? Is it impossible to finish the walls of the shower room with some domestic tile? True, funds are needed for this. And it is also true that the workman needs not only material incentives, but also nonmaterial incentives for his work. Two dormitories, a sanatorium and preventorium of the NGDU "Leninest" are located on the grounds of the field in old prerevolutionary structures in need of major repairs. But I learned from a conversation with M. Mamedov, deputy general director for social welfare affairs of the Association "Azneft," that the sanatorium has almost altogether ceased to operate if it has not already been closed down. Construction of a new one has not been included in any plan, but it will be speeded up because the previous one is closed. And at present, workers of "Leninest" in need of sanatorium and preventorium treatment are accommodated in the nighttime sanatorium of "Azizbekovneft" and other NGDU's with the rights of "poor relatives." It is evident that the problems of social welfare and everyday life which have remained in the shade for years will not be solved at one go. Nor is it possible in this important matter to go slowly, to be lax, the times do not allow it.

#### In Place of an Afterword

In the course of preparing this article I met three young oil field workers among others. Two of them—Elkhan Salmanov and Rasim Aliyev—have been there for 4 years now, working as underground well repair operators in the NGDU "Leninest" after graduating from SPTU No 1. The third—Rovshan Mamedov, has just finished that school.

"He is an intelligent and able lad and takes an active part in amateur artistic activity. And the main thing is that he really loves his work," that was the description given not without pride by M. Niftiyev, deputy principal of the SPTU No 1, of his graduate.

All of these boys were brought to the city by an undivided love for the occupation of oil field worker. Elkhan, who comes from Shemakha, had after all known about it by hearsay, but he had imagined it. This occupation was not attractive at all to any of his five brothers. And his father's occupation was also different, he is a physician's assistant. Rovshan, on the other hand, comes from a family of oil field

workers. In their family this work was always considered brave, and there was no talk about a profitable job and well-trodden ways. Perhaps that is why Rovshan never needed guidance at all. He knew long ago that he would be an oil field worker like his father, his grandfather, and his first cousins. But after serving in the armed forces he came to the city for science....

Yet even these lads are today leaving the oil fields disappointed. Rovshan intends to go on a Komsomol trip to Surgut. Elkhan and Rasim are finishing another tekhnikum, in economic planning, and they are already looking hard for work in their new specialty.

One thing became clear in conversations with them, and E. Salmanov and R. Mamedov, have frequently stopped by the newspaper office, that it would be incorrect and dishonorable to write off this abandonment solely as a case of their being frightened of the difficulties in looking for an easy life.

07045

#### PIPELINE CONSTRUCTION, OPERATION

**Conservation of Metal for Pipelines Scored**  
*18220016 Moscow IZVESTIYA in Russian 27 Oct 87*  
p 2

[Article by Doctor of Technical Sciences Professor O. Ivanov, USSR State Prize and Lenin Prize laureate: "So That Metal Does Not 'Fly Off' into Pipe"]

[Text] The Soviet Union today consumes as much steel pipe as the United States, Japan, West Germany, England, France and Italy taken together. Moreover, we produce the most in the world—almost 20 million tons a year. And an acute shortage of pipe is being felt nonetheless.

In order to make clear the scope of the problem, it is enough to state that some 32 million tons of pipe will be consumed in the program of construction for pipelines to transport natural gas, oil and petroleum products in the 12th Five-Year Plan. Under these conditions, an economy of pipe metal is becoming a task of state importance. And there are ways of resolving it. We will begin with the simplest.

Two pipes for a gas pipeline of the maximum diameter delivered to the northern rights-of-way cost about the same as a Zhiguli automobile. But the attitude toward their values is not the same, the more so as the Zhiguli is most often private property, while the pipes are always state property. On the construction lines, in the administrations engaged in the building of gas and oil pipelines and the transport services, strict order in the preservation of the pipe is still not instilled everywhere. And after all, there exist skilled craftsmen, fitters and welders, as well as economically



accountable construction subdivisions, that economize every meter of pipe and every kilogram of metal. All of this means a substantial economy of metal.

There are other ways of reducing pipe consumption, and moreover on a considerably greater scale.

One of them is increasing the strength of metal. The plants of USSR Minchermet [Ministry of Ferrous Metallurgy] produce pipe for oil and gas pipelines with poor strength indicators. Moreover, reaching the level of strength of the steel pipe that is manufactured abroad today would make it possible to economize over 200,000 tons of metal annually.

USSR Minchermet was to have converted to the output of large-diameter pipe with increased strength as early as 1962. This target was not fulfilled, however. As a result, for every kilometer of trunk gas pipeline we lose 37 tons of steel. The proving-ground testing of 1,420-mm [millimeter] pipe made from domestic steel of enhanced strength was completed as early as 1985. The results were good. An industrial process for the production of rolled sheet from this steel on the "3000" mill at the Zhdanov Metallurgical Combine imeni Ilich was devised. USSR Minchermet gave assurances that only such pipe would be supplied starting in 1987. Plans for gas pipelines were executed counting on this. But even at the beginning of this year, the metallurgists demanded the acceptance of pipe with decreased strength. Plans had to be redone and estimates recalculated. And the overconsumption of steel continues.

USSR Gosstroy [State Committee for Construction Affairs] recently circulated a letter that prohibited the use of seamless general-purpose pipe manufactured from ingots in the construction of oil and gas pipelines without verifying its quality at the manufacturer plants using non-destructive monitoring methods. But this verification is not being done, with the connivance of USSR Minchermet. And what can the construction workers do?

The manufacturer plants are also not conducting hydraulic testing of seamless pipe or guaranteeing its strength for even 40 percent of the maximum level. As a result, plans have to incorporate excessive thicknesses for the walls of the oil and gas pipelines. And this means the direct overconsumption of steel.

Economy and quality are sisters with blood ties. The effect of the quality of pipe products on the economy of metal can be shown using the example of the testing of the Urengoy—Center II gas pipeline. Some 222 meters of pipe were replaced in testing. Some 25.6 million cubic meters of gas were expelled into the air in ruptures.

There is no disputing the fact that much has been done recently at the plants to improve the quality of welded large-diameter pipe. State acceptance for pipe has been introduced at the Khartsyzsk, Chelyabinsk and Novomoskovsk plants. This has had a positive effect on

quality. But it is ominous that there were many failures due to pipe defects in the recently completed construction of the Shaim-Konda oil pipeline.

There is yet another reserve—reducing the losses of metal connected with corrosion. Capital repairs were needed on 2,622 kilometers of pipeline in 1985 alone, replacing rusted pipe and the insulating coating. The spending on repairs totaled 239 million rubles.

Radical improvements in corrosion protection are possible via the direct application of insulation onto the pipe under plant conditions. There have perhaps never been more government decisions made on a single issue. But all of them have remained unfulfilled by USSR Minchermet. Only in recent years have they begun to manufacture pipe that is protected against corrosion, at the Volga and Khartsyzsk pipe plants.

As a result, construction workers have been compelled to insulate the pipe right in the right-of-way under the difficult weather conditions of the Far North. This insulation cannot be compared in any way to plant insulation. I would add that the additional spending for plant insulation is simply incomparable to the gain from more reliable protection for the pipelines and the extension in the service life of trunk pipelines. Unfortunately, the expenditures and the gain go to different departments. And this has largely determined the position of USSR Minchermet up to this time.

Along with improving the insulation of steel pipelines, it is necessary to expand the utilization of plastic pipe. Such pipe does not need protection from corrosion and can serve for a considerably longer period of time than steel.

Its application is especially effective in oil and gas fields with high aggressive-components content, where the steel pipe literally "burns." Pipe frequently has to be replaced after three years, and sometimes in even less operating time, in the fields of Tatariya, Bashkiriya and the central Ob region. Polyethylene pipe with welding by special machinery has already begun to be employed in the surface facilities of the Astrakhan Gas-Condensate Field with high hydrogen-sulfide and carbonic-acid content in the gas.

A considerable economy of pipe metal could be ensured through improving the rated strength of the pipelines. The author of this article has proposed improving the calculations to more fully reflect the physical essence of the forces acting on gas pipelines. This would make it possible to economize some 300,000 tons of steel over the remaining years of the five-year plan. The realization of this technique will in no way reduce the reliability of gas-pipeline operation. No restructuring of the technology at pipe-rolling plants and rolling mills is needed.

Notwithstanding many years of consideration and the unanimous approval of major scientists and specialized research organizations along with, finally, the positive

decision of the scientific and technical council of Minneftegazstroy [Ministry of Construction of Petroleum and Gas Industry Enterprises], the new technique for calculations still "doesn't sell." The overconsumption of an enormous quantity of high-quality metal continues.

The improvement of management in all spheres should erect a barrier to the unjustified overconsumption of pipe metal. As has been demonstrated, there exist great and real possibilities for this, and they cannot be ignored.

12821

## LABOR

### Labor Redistribution Due To Layoffs Explained

18280006 Moscow KHOZYAYSTVO I PRAVO  
in Russian No 8, Aug 87 pp 54-56

[Article by K. Urzhinskiy, doctor of juridical sciences:  
"Personnel Layoffs"]

[Text] Retooling the national economy—mechanization, automation, computerization, and robotization—allows us to free up millions of people from manual operations. During the current five-year plan it is intended to sharply decrease the proportion of manual labor and by the year 2000 to lower it in the production sphere to 15-20 percent. At the June (1987) Plenum of the CPSU Central Committee it was noted that under the conditions of accelerating scientific and technical progress the scope of laying off employees will increase significantly.

The transformations in labor and its substance, as well as increasing its productivity, require us to improve the system of personnel distribution and redistribution. Just take Belorussia, for example. Manual operations here are performed by 27.3 percent of industrial workers, while in certain of its sectors—for example, at enterprises under the USSR Ministry of Land Reclamation and Water Resources—this percentage is more than 42. Throughout the city of Minsk over 140,000 persons are employed in such operations.<sup>1</sup> Hence the time is already almost upon us when practically every enterprise will have to solve the problems of personnel distribution.

It is understandable that the process of reducing the number of jobs will not always and everywhere proceed smoothly, in a well-organized way, without losses or conflicts. Not all ministries and departments have scientifically well-founded methods (recommendations) with regard to these matters, and public organizations do not provide sufficient help to the administration in the plan distribution of employees. Instances of gross violations of socialist legality have also been noted in dismissals and transfers. This occurred, for example, at the Kalinin Railroad-Car Depot.<sup>2</sup> Similar shortcomings have been exacerbated by the uncoordinated nature of the legal norms in numerous sources, the poor juridical training of certain economic managers, and the lack of glasnost in this area.

In accordance with the adopted Law on State Enterprises (Associations), an enterprise must manifest constant concern over relocating employees, taking their skills and production interests into account.

In connection with this, the administration and public organizations are duty-bound to ensure a very careful preparation for imminent layoffs of workers and office employees. For this purpose the staff members of the personnel service are called upon to create a reliable data base. What we are talking about is elucidating, based on analysis of the state of affairs with regard to labor and

other materials, the structure of the group of staff members being laid off: by age, sex, occupation, structural subdivisions, etc. Such work allows us to picture more precisely whom to lay off, from which sections, and where they should be shifted to, as well as to better promulgate the preparatory measures.

Just as important are the following: explanatory work in the collective, vocational guidance of those employees who are confronted with the need to change their field of specialization, formation of educational groups for retraining workers and concluding student agreements, organizing the combination of occupations, transfers, advancement, job placement, etc. Furthermore, the decree of the CPSU Central Committee, the USSR Council of Ministers, and the AUCCTU, dated 17 September 1986 and entitled "On Improving the Organization of Wages and Introducing New Wage Rates and Salaries for Employees in the National Economy's Production Sectors," pointed out (par. 29) that ministries, departments, enterprises, and organizations are obligated to manifest a multifaceted concern for the retraining and job placement of employees to be laid off. First of all, it is desirable to redistribute them within the enterprises for organizing work within the second and third shifts, to carry out retooling and production expansion. It would also be feasible to promulgate measures with respect to their intrasectorial redistribution by way of transferring personnel to fill the newly created job slots in enterprises and facilities.

In connection with the introduction of the new wage and salary rates approved by the USSR Goskomtrud [State Committee for Labor and Social Services] and the AUCCTU Secretariat on 26 September 1986, the Provisional Statute on the Procedure for Job Placement and Retraining of Employees Laid Off by Associations, Enterprises, and Organizations<sup>3</sup> provided that, in the absence of a possibility for redistribution, enterprises are obligated at least two months prior to beginning the layoffs to warn an employee about the imminent layoff, inform him about the job-placement possibilities, retraining, and learning new occupations (specializations), as well as about the privileges and compensations provided for by the legislation.

A great deal of preparatory work was carried out in connection with laying off workers on Belorussia's railroad. Several thousand railroad workers retired on pensions, while many employees were offered the chance to transfer to other enterprises in a given locality and to higher-paying positions.

According to the Belorussian Railroad's experience, it is feasible to conduct legal-type training in collectives. In order to increase its useful yield, it is better to practice differentiated classes for laid-off and administrative persons engaged in directing personnel redistribution. Within the BSSR, as is known, more than 12,000 railroad workers were laid off. Of these, only 37 filed complaints, and among them 8 were well-founded.



Whereas at the Kalinin Station's depot slightly more than 100 persons were transferred to other jobs, but the amount of complaints here was much greater. Several of them became protracted in their nature.<sup>4</sup> This shows the value of preparation when planning to lay employees off.

Serious attention must be paid to the quality and objectivity of information about labor conditions and wages, privileges and advantages, duties and responsibilities on the new jobs. Numerous promises made to the oil workers of Western Siberia—promises which people from various regions of the country responded to and who came here as a result of an organized recruitment drive—turned out to be unfulfilled. And it is not by chance that at some construction sites the streams of people departing and those arriving are approximately equal. But, you know, it costs 3500 rubles just to bring one employee here, and it costs 40,000 rubles to maintain him for a year in the Tyumen area of the Far North! Every year about 300,000 persons arrive in these parts, but less than a third remain to work for any relatively lengthy period of time.<sup>5</sup>

In our opinion, it is preferable to work out an independent five-year plan for personnel layoffs with a breakdown by years. This allows us to avoid duplication and dissipation of manpower, as well as to ensure a comprehensive approach to the problem. Such a practice evolved, for example, at enterprises of the cotton and printing industries. Such plans are based on objective and complete information concerning the structure of the group of persons to be laid off. This increases the administration's responsibility for the quality of performing the plan measures. It is feasible to set up a special workers' group in order to ensure effective monitoring controls and help in preparing and carrying out employee layoffs. It is usually headed up by the chief engineer or another competent person. Such a group coordinates and directs this work.

The Provisional Statute has assigned to the labor organs the duty of job placement for those employees who cannot be redistributed within the sector. In 1985 the BSSR had only 24 such buros, but now they are functioning in 150 cities and rayons. At present there are representatives of the labor organs in practically every rayon. However, the buros do not always have at their disposal data concerning the availability of open job slots or vacant positions. Many enterprises have not given out such information for years, or they present data only about the availability of "low-prestige" occupations. Thus, the decree of the USSR Council of Ministers and the AUCCTU, dated 28 July 1983, "On Additional Measures To Strengthen Labor Discipline" is not being fully implemented. The question of the enterprises' personnel services' responsibility for this was not resolved in the Provisional Statute.

Managers of associations, enterprises, and organizations have been accorded the right to maintain the average wage for employees being laid off in accordance with

their latest job during their training and upgrading their skills with a break from the production line and for the entire training period. But this right is not an obligation, and not every director will want to utilize it.

The conversion of enterprises to self-financing and the new management methods will also entail significant employee layoffs. In his report at the June (1987) Plenum of the CPSU Central Committee, CPSU Central Committee General Secretary M.S. Gorbachev noted that "in the new situation we must expand the right and increase the responsibility of the state organs for labor and social problems." It would be desirable to regulate the interrelations between these organs and enterprises, organizations, ministries, and departments in the Fundamental Legislation of the USSR and the union republics concerning labor.

Layoffs should be carried out in strict accordance with the legislation. In particular, provisions must be made to conduct vocational guidance for the purpose of helping persons being laid off to select a new specialization, to organize combined occupations and retraining, transfers and promotions, as well as job placement at other enterprises. A manager should concern himself about a new job slot for someone being laid off, about retraining him or upgrading his vocational skills.

It is necessary to provide socioeconomic justification for laying off each employee. Any displacement must yield a positive socioeconomic effect—otherwise it makes no sense to carry it out. However, this aspect of laying off personnel is imprecisely established in the legislation. And the organs which examine labor disputes do not always pay attention to it.

During layoffs there is a redistribution of labor duties among the remaining employees. Therefore, brigade-leaders, foremen, and the supervisors of structural subdivisions are obligated to inform such employees in a timely manner about the appropriate changes and to create the conditions for performing new duties or assignments. In connection with this, the need arises to fine-tune the position instructions with the aid of local legal norms and departmental directions.

In our opinion, it would be feasible to systematize the legal norms in a unified normative act concerning the redistribution of labor resources in the USSR. The foundation of this was laid with the publication of the Provisional Statute, which partially summarized the fundamental rules for laying persons off. It did not, however, resolve many problems that arise in practice. Moreover, this act is of a provisional nature and extends solely to employees in the production field. Therefore, the preparation of an All-Union normative act regarding the redistribution of labor resources constitutes an urgent task. It should reinforce the principles for legally regulating these relations, the mechanism for laying off workers and office employees, define its juridical nature, the rights and obligations of the participants in these

relations, as well as the juridical guarantees. This will strengthen the legal foundation for redistributing personnel, facilitate the reinforcement of socialist legality, as well as preserving the rights of citizens in labor relations.

**Footnotes**

1. See *Sovetskaya Belorussiya*, 12 December 1986; *Vecherniy Minsk*, 16 December 1986.

2. *Komsomolskaya Pravda*, 11 February 1987.

3. Hereinafter referred to as "Provisional Statute."

4. See I. Starenko, "Laid Off...by Way of an Experiment," *Komsomolskaya Pravda*, 11 February 1987.

5. *Pravda*, 26 January 1987.

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## MOTOR VEHICLES, HIGHWAYS

### Auto Transport Ministers Report on Restructuring

#### BeSSR Minister's Overview

18290014 Moscow AVTOMOBILNYY TRANSPORT in Russian No 10, Oct 87 pp 4-6

[Article by V. Borodich, Belorussian SSR minister of motor transport: "On the Road to Restructuring"]

[Text] The innovation and complexity of the tasks, which the 27th party congress and the January and June 1987 CPSU Central Committee plenums put forth, require concrete actions from each labor collective and each worker in order to implement them in practice.

The time has passed when organizational management forms were changed but methods remained as before — administrative ones. The shift to economic levers is now at the center of attention. It is these that allow a fundamental improvement to be made in increasing work effectiveness and quality within a comparatively short period of time.

We have been convinced of this by our own experience. An unfavorable situation had taken shape in the branch during the last five-year plan. The truck fleet had been filled with new equipment, its freight- and passenger-carrying capacities and capital-labor ratio had increased and the repair base had been built up; however, labor productivity and the return on investment decreased. An increase in the amount of shipments was assured by increasing the size of the truck fleet and the number of workers. In doing this, the use of fixed capital, especially rolling stock, worsened. We were unsatisfied with its operation — the more so since we understood that it was possible to work better and more effectively.

The situation demanded that ways be found to fundamentally restructure the management mechanism in the direction of increasing the effectiveness of rolling stock usage and the quality of the national economy's and population's transport services. The branch's shift to the new management conditions at the beginning of last year helped us to overcome the negative trends. Enterprise directors received greater rights and independence in distributing wage savings funds, material incentive funds and other economic levers. Their capabilities to dispose of earned assets in order to expand the material and technical base, accelerate scientific and technical progress and solve social problems, grew. However, responsibility for work results also grew. They began to move away from wage-levelling in paying for labor and to encourage business-like and diligent workers tangibly and to punish slovenly ones.

This situation has had an effect to a certain degree on improving the branch's work. The first results are reassuring. The ministry's enterprises have fulfilled their targets based on all evaluation indicators during the year and a half

of the current five-year plan. Whereas we only half realized the contract delivery plan two years ago, we have fulfilled it almost completely during last year and this year. In this regard, the evaluation of the branch's work is being done according to all 64 servicing ministries and departments and not by 12 as occurred previously. The majority of enterprises and associations are insuring a 100-percent fulfillment of their contract obligations.

The servicing of the population has also been improved. The entire increase in the amount of freight and industrial products has been obtained by increasing labor productivity. Losses of work time have been reduced by a third. The qualitative indicators for the use of the rolling stock have been improved. The ordinary transport services for the population are being increased at accelerated rates (by 16 percent a year). It is characteristic that all associations are coping with their plans. There has not been a single case of an overexpenditure of the wage fund. Above-norm stocks of fuel and material valuables have been eliminated. In previous years, these annually reached more than 2.5-3 million rubles. A reduction in the specific expenditure norms for gasoline and diesel fuel was achieved in 1986 for all types of shipments.

These are — so to speak — external factors. However, even more profound changes are occurring. People are being noticeably transformed. A taste for economic management methods has appeared among enterprise directors and specialists; and intolerance toward bad management and irresponsibility — among ordinary workers. The restructuring of the people's consciousness has permitted a new step to be taken in improving the management mechanism.

For a long time we have looked closely at the experiences of the Belorussian railroad workers. Our specialists have visited them in order to study everything that is connected with the experiment. You see, our goal is the same — to increase labor productivity. Consequently, the same resources for achieving it can be used, but it is necessary to improve the organization of wages. They decided to carry out a revision of the tariff rates and official pay rates through the assets earned by the collectives. Preparatory work was conducted long before the adoption of the 17 September 1986 CPSU Central Committee, USSR Council of Ministers and AUCCTU decree. In associations and enterprises, they developed complex plans for measures that provided for raising the technical and technological level of production, improving organization and norm setting, introducing collective forms, stimulating work, expanding the combination of trades (positions) and service zones, and increasing organization and discipline.

At enterprise general meetings, they discussed the letter of the CPSU Central Committee entitled "To Labor Collectives and Party, Trade Union and Komsomol Organizations on Improving Wages in the Production Branches of the National Economy" and outlined ways



to implement the outlined measures. They conducted economic training with the directors of the associations and enterprises, the secretaries of party organizations, the chairmen of trade union committees, and the workers in the economic services.

According to calculations, it was necessary to find 26 million rubles to pay for the work of the branch's workers. During recent years, we had paid a great deal of attention to reequipping production. The scientific and technical sector — the branch Avtotranstekhnika [Motor Transport Equipment] Association which includes a scientific research institute, a design organization with pilot-scale production, and the Bobruyskiy Pilot-Production Mechanical Plant — began to work more efficiently. Designs for highly mechanized equipment were developed, and their manufacturing in the amounts required for the branch was mastered. Among them are mechanized stations for replacing motor vehicle assemblies; equipment for lubricating, washing, mounting tires, and other labor intensive work; and diagnostic equipment. Annually, the association manufactures approximately 2,000 nonstandard garage pieces of equipment, instruments and attachments for the needs of the enterprises.

Central automotive repair workshops, which have a reserve supply of automotive assemblies at their disposal, have begun to function at each branch association. Thanks to these measures, the production of automobiles for the line has increased and stoppages for repairs have decreased.

The production of trailers has been increased at the Bobruyskiy Pilot-Production Mechanical Plant. But what do they need to be well off? It means that the effectiveness of rolling stock usage must be sharply increased. It is known that the operation of one trailer increases the productivity of a motor vehicle by almost 54 percent; and two — more than twofold. In doing this, the expenditure of fuel is reduced and the shipping cost is lowered. During recent times, the shipping of freight in trailers has annually grown by 10 percent. The volume of commercial freight shipments in container equipment is growing annually. The productivity of motor vehicles using such transport has increased twofold.

The dispatch service is equipped with computers, thanks to which passenger and a number of freight routes are controlled. The use of automated systems for controlling the movement of buses on routes in Minsk alone has permitted 50 dispatchers to be released.

We are paying a great deal of attention to increasing the responsibility of people for the task entrusted to them. We have placed the main stress on forming contract brigades, of which there are now more than 3,000 in the ministry's enterprises. In these collectives, the drivers and repair workers work with maximum efficiency; know how to calculate route kilometers, fuel liters and profit; and achieve the fulfillment of quotas.

The contract form for organizing labor in repair work has permitted a large reduction in the number of workers and a lessening in the demurrage of the rolling stock. The entire amount of wages, which is calculated based on labor-intensiveness, is guaranteed to the contract brigade for the qualitative fulfillment of work regardless of the number of workers with which it is fulfilled.

The revision of the standard schedule of associations and enterprises has provided quite a bit of reserves for saving wages through the centralization of production, management and financial functions. Structural changes have been carried out and part of the departments have been reduced.

In working with personnel, we have not only strictly observed the laws but also have displayed patience, concern and attention. Evidence of this is the small number of complaints which — I do not conceal — existed. Our main rule during the performance of this work was an honest and frank discussion of shortcomings and of the need for restructuring. One of the forms is the certification of personnel. All workers took this examination. Several directors were released and others were certified for only one year. Many engineers, economists and bookkeepers did not pass the examination. One must admit that the certification revealed quite a few errors in the work with personnel. Over years, many engineers had developed habits of doing everything according to instructions and orders from above. That is why thoughtless executives often occupied the places of creative and thinking production organizers; and supers, from whom no good came — the places of economists capable of analyzing the situation and implementing decisions.

The transfer of workers to new rates of tariff and official pay rates has now been fully completed. In June 1987, almost 9,000 people, or 7.6 percent, were released in the ministry as a whole. The number of engineer technical workers and employees was reduced by almost 20 percent. Generally, speaking the process of releasing and subsequently placing workers has occurred successfully with the observance of established laws.

During the first six months of this year, labor productivity grew by 11 percent and wages by 9.8 percent when compared with the corresponding period of last year. The wages of tens of thousands of people were immediately increased. Of course, work became more responsible and this means more interesting. All this testifies to the correctness of the path selected.

It is necessary to point out that not all of the measures, which are connected with restructuring are being realized, including ones like the expansion of the rights of associations and organizations to use their own assets and sources.

In connection with the failure of planning agencies to allot the required allocations of contract work and material and technical resource funds, an increase in the role of the production development fund as a centralized

source for financing expenditures for the technical re-equipping and reconstruction of associations and enterprises is not being fully assured. The Ministry of Finance is directing the major portion of this fund toward the financing of centralized capital investments as it did before. The rights to use the social and cultural measures and housing construction fund, which have been provided by the new management conditions, are not being realized for these same reasons. The withdrawal of considerable sums of free assets from the ministry's economic incentive fund and their assignment to financing centralized capital investments, amortization for capital repairs and profit, which is then allocated to the budget, is continuing.

Under the new management conditions, associations have run into the problem of limiting the number of personnel in the primary shipping occupation and, especially, industrial production personnel. On the one hand, only the quotas for an increase in labor productivity are approved by higher agencies; however, on the other hand, mandatory agreement of the number allocation with the oblsipolkoms and (gor)rayispolkoms is required. In connection with this, many questions are not always being solved in a timely manner (the mastery of production capacities, the commissioning of line structures, etc.) although the increase in the number is exceeded by the growth in the amount of shipments and work and the necessary labor productivity growth rates are being assured.

Several other questions are also not being resolved. I think that the decisions of the June 1987 CPSU Central Committee Plenum will help us to solve the problems that have accumulated.

The management system, which has taken shape in the republic's general-use motor transport, and the experience, which has been accumulated in improving it, have created the necessary base for transferring associations, enterprises and organizations to full cost accounting and self-financing. Since the beginning of this year, we have made preparations for the shift of the branch to full cost accounting and self-financing. This will be carried out in January 1988.

Having had guaranteed obligations to the state budget for payments from its profit, the ministry has already been carrying out an expanded reproduction, the stimulation of labor collectives, and social development for many years; and it is already covering all of its expenses and expenditures from its own sources. The five-year plan, the system of deduction norms from profit, the quality of servicing the national economy and population with shipments, the level of profit (lowering of losses), and the increase in labor productivity have been put at the base of the activity of all motor transport subunits.

The sizes of the economic incentive funds and the wage fund are connected through the appropriate norms with the profit received and the amounts of work performed (income). Essentially, this is the basis for the shift to self-support [samookupayemost] and self-financing.

Today we are going through a complicated transitional stage where many arrangements, which touch upon economics, are seemingly undergoing a check by life itself. Many questions, which affect both the interests of labor collectives and the interests of individual workers, are arising. In order to solve them, we have concentrated our efforts on raising the level of economic work in all management levels of the branch, especially in enterprises and associations. The active incorporation of an anti-expense mechanism, a sensible attitude toward expenditures of earned monies, and the receipt of a high return for each invested ruble are now among the main criteria for the work of directors at all levels.

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#### GSSR Minister on Developments

18290014 Moscow AVTOMOBILNYY TRANSPORT in Russian No 10, Oct 87 pp 6-8

[Article by T. Davitashvili, Georgian SSR minister of motor transport: "Relate Creatively to the Task"]

[Text] The collectives of the enterprises in the republic's Ministry of Motor Transport are greeting the 70th Anniversary of Great October and their professional holiday under the conditions of restructuring the branch's work. The competition for the successful fulfillment of the planning targets in the second year of the five-year plan has been broadly promoted. The realization of the outlined obligations will permit the effectiveness of motor vehicle usage to be raised significantly, the quality of freight and passenger shipments to be improved, their costs to be reduced, and the entire increase in transport operations to be assured by raising labor productivity. Motor transport workers have pledged to fulfill the planning targets for all of the main indicators ahead of time, to transport an additional one million tons of freight, to produce additional industrial products worth 200,000 rubles, and to operate for two days using saved fuel.

The major restructuring methods, including the widespread use of scientific and technical achievements, the improvement of the economic mechanism and the entire management system, and an increase in the people's labor and social activity, were defined in the decisions of the 27th CPSU Congress and the January and June CPSU Central Committee plenums.

At the present time, the renewal process in the branch is taking ever more concrete form. We understand that today — during the initial stage of restructuring — it is necessary to achieve practical results in each work sector.

Since January 1986, we have begun to improve planning, economic incentives and the management of production; we have started to concentrate departmental transport in the system of general-use transportation; and we have intensified the work to introduce progressive forms and methods for organizing labor. The carrying out of these

measures has contributed to the mobilization of reserves, the intensification of production, the establishment of economic conditions for achieving high growth rates in labor productivity, and the more complete satisfaction of the republic's national economy's and population's requirements for freight and passenger shipments based on improving the planning and organization of shipments, the development of creative initiative in the collectives, and the raising of their interest in and responsibility for high end results. This has required that management style and methods at all levels be radically improved.

During the first six months of the year, the ministry has fulfilled its targets according to all the main indicators: for the shipment of freight — by 103.5 percent; for income from passenger shipments — by 101.2 percent; for the everyday servicing of the population — by 111.2 percent; for services requiring payment — by 101.5 percent; and for profit — by 102.7 percent. Expenses per ruble of income decreased by 1.1 percent.

The industrial enterprises coped successfully with their state targets. The plan for the production of commercial products was fulfilled by 101.7 percent. The targets for the production of consumer goods were realized by 103.2 percent. The labor productivity of workers and employees grew by 6.6 percent, and the average monthly wage by 5.4 percent.

The efficiency of the work of transport assets grew significantly; labor and material resources were used more and more rationally; and the quality of service rose.

Economic stimuli and the improvement of management are radically changing the economic orientation of the branch. The fulfillment of contract commitments for servicing enterprises and organizations with shipments is emerging as the main indicator of economic activity; the rights of enterprises and associations to use their own sources for financing expenses — the production development fund and the social and cultural measures and housing construction fund — have been expanded; and conditions have been created for developing systems for paying for and stimulating work, which more fully reflect the specific contribution of enterprises and individual groups of workers. The orientation of the production links toward economic independence is significantly changing the functions of the ministry itself and requires a further improvement in the management structure of the branch.

The ministry is concentrating its efforts on a complex solution to the tasks facing motor transport, paying special attention to questions concerning the long-range development of the branch. For this purpose, a new structure, which provides for the strengthening of motor transport production associations (ATPO) by merging small and medium-size ones and abolishing non-profitable and unremunerative truck fleets and which also

provides for the creation of conditions for the more effective use of transport, labor and material resources, is being developed. The strengthening and specialization of the production base are being planned. Programs for reducing the number of workers in the management staff both at the center and at subordinate enterprises have been developed and are being implemented. All of this will contribute to the further strengthening of economic principles and economic management methods.

Along with the restructuring of management, measures are being implemented to raise the organizational level of production activity in associations by equipping them with modern computer equipment and operational technological communications. The use of electronic computers permits not only the automation of manual labor but also an increase in the effectiveness of operational control by providing complete, timely and reliable information. An opportunity to organize operational control over the fulfillment of shipping plans and to reveal existing reserves is thereby presented.

In order to improve the management of technological shipping processes, an automated dispatch management system for freight shipments (ASDU-G) has been introduced and is successfully functioning in the Tbilisskiy Production Association for Freight Transport.

By employing modern control systems and advanced methods for organizing labor in its work, the collective of the Tbilisskiy Production Association for Freight Transport has fulfilled its shipping planning quotas for the first six months of this year by 104.4 percent. More than an additional 695,000 tons of freight were transported. We have planned to incorporate ASDU-G in all of the republic's industrial rayons during the current five-year plan.

For the fuller satisfaction of shipping needs and for raising the effectiveness of transport operations, enterprise collectives have increased the amounts carried by general-use transport, having excluded departmental transport from operations on major main lines and having freed the railroads from intrarepublic container shipments.

We are faced with solving large tasks in organizing passenger shipments. We are paying special attention to further improving the regularity of bus traffic and the quality and standards in servicing passengers and to reducing travel time during peak hours. The collectives of passenger motor transport enterprises are constantly searching for ways to improve the organization of the transport process and to make better use of transport assets. They are incorporating advanced technologies, forms and methods of work.

A long-term program for developing all types of passenger transport is being implemented, the route network is being improved, and automated control systems are being introduced. An improvement is being planned in



the structure of the pool: For servicing the population in large cities, we are filling transport enterprises with buses having a large and especially large seating capacity; and for non-city travel — buses with increased comfort. We are intensely constructing and reconstructing passenger stations and bus terminals and using the advance sale of tickets on a broad basis.

The increase in the quality and standards of servicing the population and the strict control over the operation of transport assets on lines have permitted technical and economic indicators to be improved, including the income that is received from carrying passengers. Last year, the targets for income from carrying passengers, which were successfully fulfilled, were increased by six million rubles. During the current year, the income plan has been increased by almost nine million rubles.

In order to improve the organization of traffic management, increase operating speeds and decrease traffic intervals, especially during peak hours, we are incorporating automatic and semi-automatic systems that control the regularity of traffic.

For example, a central dispatch station (TsDS) has been built in the Tbilisskiy Transport Association. It has permitted operational control of passenger shipments to be improved significantly, transport assets to be used more rationally, optimum schedules and movement routes to be developed, and service quality and standards to be improved. Work is now being promoted to establish systems for the dispatch management of passenger transport in all of the republic's large cities.

The restructuring of the work of passenger enterprises under the new management conditions, however, is still occurring slowly and has many unsolved problems.

In order to strengthen cost accounting principles and to use economic methods for controlling the shipping process in truck convoys No 2662 and 2656 and in taxi-cab enterprises Nos 1 and 2 in the city of Tbilisi, cost accounting brigades which operate using complete self-control, have been established as an experiment. This has permitted a decrease in the number of workers participating in the preparations for putting transport assets on line and an increase in the responsibility and interest of brigades in the high end results of their work.

An analysis of the work of these brigades shows that they are achieving significant savings in fuel, lubricants and spare parts and a reduction in empty runs. Their labor productivity has grown by 15-20 percent and wages have been increased.

It is planned to organize complex brigades, in which the trades of drivers, repairmen and line controllers would be combined, in the Tbilisskiy Transport Association.

The development of advanced forms for organizing labor has played a significant role in raising the quality and standards of transport services. The collectives, which have shifted to this form of labor, have higher indicators. At the present time, 85 percent of the workers have been united in brigades. A total of 1,100 collectives are operating using a contract, including 100 brigades — using cost accounting.

R. Rationidze's brigade of drivers from the Tbilisskiy Cargo ATP [Motor Transport Enterprise]-8 has proposed an initiative to fulfill ahead of time the five-year plan's target for the growth of labor productivity. The brigades of Yu. V. Shvelidze, N. F. Stepanenko, Sh. B. Beridze, T. G. Topuriya, A. M. Kochiyev, O. A. Chokheli, V. M. Gogishvili, B. B. Gadzhiev, R. L. Kadariya, T. R. Lakob, and A. V. Muralov and many others have supported the initiators.

The experiences of the best enterprises show that a comprehensive solution of social questions permits a significant increase in labor productivity to be achieved and the turnover of personnel to be reduced. It is no accident that success comes to those collectives, in which the restructuring of the production links under the new management conditions and the effect of economic levers are primarily directed toward insuring maximum effectiveness and high smoothness of work, and to those, where they do not forget about social questions and the everyday needs of the workers.

During the current year, the enterprises and organizations of the ministry have allotted more than eight million rubles to the expansion of the production technical base and social, cultural and domestic installations. A concrete plan for mastering assets and commissioning installations under construction has been developed. Constant control has been stipulated for its fulfillment.

However, the main work in restructuring and expanding general-use motor transport lies ahead. A great responsibility has been placed on the management personnel of enterprises and associations and on workers in the management staff. Under the conditions of the shift from administrative to economic management methods and of the expansion of the independence of enterprises based on incorporating full cost accounting, self-financing and self-support [samookupayemost], it is necessary to teach these personnel how to use fully the rights and opportunities that have been granted to them.

The restructuring, which has been begun, has required that we critically rethink all of our work, intensify the search for reserves, and strengthen our attention toward the solution of social questions. The activity of collectives and their production achievements will greatly depend on how rapidly we manage to update the style and methods of organizational work.

Quite a bit also remains to be done in reducing as much as possible the expenses of the republic's national economy for motor transport with the help of economic measures. For this purpose, it is necessary to improve economic indicators, study progressive experience, make widespread use of advanced methods for organizing and stimulating labor, and seriously analyze successes and failures.

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### LISSR Minister Discusses Problems

Moscow AVTOMOBILNYY TRANSPORT in Russian  
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[Article by I. Chernikov, Lithuanian SSR minister of motor transport and highways: "Eliminate Obstacles in Work More Actively"]

[Text] The motor transport and industrial enterprises of the Lithuanian SSR Ministry of Motor Transport and Highways began 1987 under the new management conditions. Work results during the first six months are reassuring. The collectives of the enterprises have fulfilled their targets according to all indicators. In comparison with the first six months of 1986, the volume of freight shipments grew by 4.8 percent; freight turnover — by 1.8 percent; and passenger traffic — by 3.1 percent. The entire increase was achieved by raising the effectiveness with which transport assets are used. Labor productivity grew by 4.1 percent.

The increase in the pool of trailers and semitrailers contributed to raising the effectiveness of freight transport. Annually, we manufacture up to 600 trailers and more than 300 vans for transporting industrial and food goods in the repair plants of the republic. The volume of shipments using the trailer pool grew during the first six months by 7.8 percent in comparison with the same period of last year and reached 22.1 percent.

The quality in providing the republic's national economy and population with freight and passenger shipments has improved considerably. All transport enterprises successfully fulfilled their contract obligations.

When preparing for the shift to the new management conditions, the collectives of the ministry's enterprises and the customers being serviced have performed considerable work: They have firmed up the actual requirements for shipments and have found reserves. This permitted the shipment plan to be linked with the requirements of the branches being serviced during the plan's compilation stage and expected changes for each enterprise to be taken into consideration. The fulfillment of contract commitments is now the main criteria in the work of transport enterprises. The compulsory and

mutual application of economic sanctions for violations of contract conditions exerts a disciplining influence on motor transport enterprises and shippers.

The shift to the new management conditions has also contributed to an increase in the regularity of bus service and to a considerable improvement in the quality of servicing the population. The dependence of the size of the material incentive fund on the fulfillment of planned trips by route buses has forced the directors of motor transport enterprises to restructure the organization of work and the awarding of bonuses to the bus driver brigades, to increase the number of contract brigades, and to evaluate the work of the brigades based on the fulfillment of trips and the observance of route schedules. The work, which has been performed, has permitted the fulfillment of trips to be raised to 99.9 percent, i.e., this indicator has increased by 1.6 percent.

During the current year, the transport enterprises have considerably increased the volume of transport services being provided to the population. In comparison with the corresponding period of last year, the volume of sales of everyday services to the population increased by more than 1.7-fold. A great deal of attention was also paid to expanding the product list of these additional services. The acceptance of orders for the shipment of freight from the population over the telephone and the combined transport and forwarding servicing in construction material stores and at sites of individual construction are being widely practiced. Shipments by cargo taxicabs, part of which are radio dispatched, is being expanded; and the parking of freight taxis near stores is being organized.

The shift to the new management conditions have contributed to a substantial improvement in economic indicators. During the first six months, expenses calculated per one ruble of income were reduced by two percent, and the profit for general-use motor transport increased by 18 percent.

The collectives of the Vilnius Bus Park; the Vevisskiy, Pasvalskiy, Raseynyayskiy, and Yurbarkskiy motor transport enterprises; and the Vilnius Motor Vehicle Repair Plant are working successfully under the new conditions.

A. K. Chyakutis, driver brigade leader in the Vilnius Bus Park, bearer of the Orders of Lenin and of the Labor Red Banner, and a deputy to the Lithuanian SSR Supreme Soviet; A. V. Yaskis, a metal worker at the Kaunas Motor Vehicle Repair Plant and an energetic innovator; E. V. Yamontas, a panel truck driver brigade leader in the Shyaulyayskiy ATP [Motor Transport Enterprise]-1 and bearer of the Orders of Lenin and the Labor Red Banner; V. A. Dmitriyev, an electrogas-welder at the Kaunas ATP-6; A. V. Belyatskas, cargo truck driver brigade leader at the Yurbarkskiy ATP; and Z. S. Bilotas,

cargo truck driver brigade leader at the Klaypedskiy ATP-1, are among the foremost people in the competition to greet the 70th anniversary of Great October in a fitting manner.

At the same time, it is necessary to admit that the work of general-use transport in the republic could be much more effective and that the opportunities, which were revealed in connection with the shift to the new management conditions, are still far from being fully used. The limited funds for fuel, which decrease over the course of the year, are a considerable restraining factor. The ministry's transport enterprises have confined themselves to the group norms for the expenditure of gasoline and diesel fuel based on all types of shipments and have reduced the specific expenditure of fuel in comparison with the same period of last year.

We are performing persistent work to shift cargo transport and taxis to natural gas fuel. Automotive compressor natural gas filling stations have been built in Vilnius and Kaunas. The reequipping of carburetor automobiles for operation on compressed natural gas has been mastered at the Kaunas Motor Vehicle Repair Plant. Preparations are now being made for reequipping the LAZ (Lvov Bus Works) buses and diesel motor vehicles for compressed natural gas. In the very near future, a section for inspecting compressed gas cylinders and the fuel systems of bottled-gas motor vehicles will be put into operation.

Nevertheless, transport enterprises cannot work fully at times because of a shortage of fuel. Not only the motor transport workers but also the branches of the national economy being serviced by them and the population feel this.

It is quite clear that this should not be. General-use motor transport should not — even temporarily — curtail its work because of a shortage of fuel. It is evident that this problem must be solved with the help of economic levers. For example, if a transport enterprise does not confine itself to its allotted allocations (funds) of fuel, it should receive the missing amount of gasoline or diesel fuel at the market — i.e., more expensive — price. This will force enterprise collectives to treat fuel more carefully and to see to it that it is saved because it will be necessary to settle accounts for the overexpenditure out of one's own pocket and to lose part of one's profit and, consequently, incentive funds.

It is possible to illustrate what has been said using the example of taxis. Before the Law on Individual Labor Activity went into effect in the republic, there were 2,600 owners of private taxis based on the 1 July 1987 status. Within a short time, their total number increased by more than twofold. As a result, the population's transport services were improved.

It is bad, however, that state taxis were worse off in comparison with the private situation: A strict fuel allocation was established for them and — what is no less important — rigid norms for its specific expenditure,

which do not allow for an increase in empty runs, were also stipulated. It turns out that "in the race for a coefficient", the drivers, who operate state taxis, are compelled to avoid unnecessary trips from one parking place to another where they wait for passengers. They lose quite a bit of income in doing this.

Moreover, the drivers of state taxis are forced to limit the amount of their work on days of small demand because of the limited allocation of fuel and the ban on officially buying the missing fuel for cash at gas stations at the market price. The loss in income for taxi pools reaches hundreds of thousands of rubles as a result of this. Evidently, it is necessary to repeal the obsolete instructions and limitations that stand in the way of state motor transport.

The state also suffers large losses because of the irrational use of cargo transport. In the Lithuanian SSR, 17.3 percent of all cargo trucks and approximately 47 percent of all freight shipments fall to the lot of general-use motor transport. As we see, the main cargo pool is concentrated in departmental truck pools where it is used incomparably worse and consumes 1.5-fold more fuel in carrying out transport operations.

The need for a considerable improvement in the use of freight transport in the national economy is evident. This is demonstrated most graphically on major highways. Whose trucks are not encountered on roads? Many of them travel empty or seriously underloaded — often without trailers. This despite the fact that the Motor Vehicle Transport Regulations of the union republics stipulate: Intercity shipment of freight must be carried out only by general-use transport with few exceptions.

Unfortunately, "few exceptions" has opened up broad opportunities for departmental transportation in intercity shipments, including the motor transport of Gossnab, State Agroindustrial Committee, construction organizations (if they are transporting cargo for their own needs), consumer cooperatives, Ministry of Land Reclamation and Water Resources, etc. Large capacity freight transport equipment, which was in no way intended for intraplant and intraconstruction project shipments of cargo, is being generously allocated by many departmental enterprises. It is not surprising that these motor vehicles usually operate on intercity shipments.

They can upbraid us as to where general-use transport drivers are looking. These have been granted the right to "fish" and to return, and — if there is incidental cargo — to load departmental motor transport. In the latter case, the enterprises, who are the owners of the trucks, even have a right to count on a bonus for the "rational" use of their transport.

According to our deep conviction, this procedure was outdated long ago. It is necessary not to award a bonus but to punish economically enterprises and organizations that use their own motor transport to the detriment



of state interests. It is also impossible to consider as normal the list of "exceptions" that was cited above. Every shipment of freight on intercity communications, without exception, should be coordinated by the agencies controlling general-use transport. Positive experience with such coordination exists in the GDR.

At the present time, the Lithuanian SSR Ministry of Motor Transport and Highways is persistently seeing to the implementation of measures connected with improving the organization of wages at subordinate enterprises. All motor vehicle repair plants, training combines, the Litmezhavtotrans Association, and individual transport enterprises have already been shifted to new tariff rates and official pay scales. However, serious difficulties exist in the shift of passenger enterprises where reserves for an increase in labor productivity are extremely limited. In this connection, we consider the resumption of the production of portable ticket printing machines (based on microelectronics) in the country to be extremely urgent. This would permit the complete relieving of conductors and ticket facilities to be simplified, having freed a considerable number of employed workers. We have a right to rely on the help of Gosplan in solving questions that are important for all transport workers. The motor vehicle drivers and road-builders of Lithuania are greeting the 70th anniversary of Great October under the conditions of great labor enthusiasm and are exerting every effort to carry out the decisions of the 27th party congress and the subsequent CPSU Central Committee Plenums.

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## RAIL SYSTEMS

### Self-Sufficiency, Self-Financing Explained

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[Article by L. Kravtsov, candidate of economic sciences: "Self-Support and Self-Financing"]

[Text] For a long time in the theory and practice of socialism the advantages of centralized planning have been exaggerated and the law of value has been relegated to a secondary role. Prices are established not on the basis of socially necessary expenditures, but arbitrarily, by the planning agencies, from the administrative center.

But value is constantly changing, and prices point out the goods whose production should be increased or reduced as well as the expenditures which are socially necessary and those which are not necessary and lead to losses. Prices are a kind of thermometer that measures the "economic temperature." If they are constant, the thermometer is malfunctioning: it always shows a "normal" temperature, even if the economic organism is "ill."

By ignoring the law of value, which exists regardless of the social structure, we deprive ourselves of the possibility of determining the real value of goods and recognize any labor as necessary for the simple reason that it has been planned, recognized by the planner, and the price has been set. But once labor has been planned, it must be paid for. The law of value punishes us for such a dogmatic approach by giving us outdated technical equipment and technology, poor organization of production, and the flourishing of enterprises that produce poor-quality products.

Now that the economy is being restructured and placed on a normal basis, there arises the problem of how to reconcile the planning basis with the economic, market basis. Opinions vary here. Some people think that the management system can rely only on a single type of management methods—either administrative or economic, commodity-monetary. Otherwise, like foreign bodies in a single organism, they will suffocate one another. The plan or the market—there is no third option.

Yet it is known that capitalists are happy to engage in planning whenever possible. Under the conditions of public ownership of the means of production, what do we have to fear from extensive utilization of the law of value, which has served mankind for many centuries and which guides us in our private business?

The July Plenum of the CPSU Central Committee pointed out paths to restructuring the economic mechanism: changing the enterprises over to complete cost accounting, self-support, and self-financing.

Self-support is understood as a situation in which incomes exceed expenditures, which enables the labor collective to satisfy certain needs for expanded reproduction at the level of the enterprise. With self-support, for instance, a railroad can receive additional funds for development and social needs from the ministry, and also an amortization fund, taken from other railroads, for capital repair of its tracks.

Self-financing is the next step in the development of new management methods. Here all economic incentive funds are formed according to stable normatives from the profit left at the disposal of the enterprise.

Self-financing means that the only sources of financing for functioning and development are the enterprise's own or borrowed funds. Those enterprises that will change over to self-financing in January of next year will begin to operate according to a clear principle: if they have received profit, first of all they must settle accounts with the state according to the established stable normative and they must also deposit certain sums into the ministry's reserve. All that is left over is placed completely at the disposal of the labor collective. These funds

will be used to carry out technical reequipment, reconstruction, and construction of residential buildings, kindergartens, and recreation bases. These funds will also be used for material incentives for the workers.

Nobody has the right to take away the funds that are left at the disposal of the enterprise. At the same time, the enterprise can receive nothing in excess of its own funds. Of course, it is granted the right to obtain long-term credit from the USSR Stroybank for capital construction, but it must be repaid from the enterprise's own sources.

Under the conditions of self-financing it is advantageous for the enterprise to reveal reserves, for in the final analysis this increases the part of the profit that remains at the disposal of the labor collective.

The most difficult problem in changing over to the new economic mechanism, in the opinion of the majority of economists, is bringing wholesale prices and rates in line with the value of the items and shipments. Without this there are no objective points of reference for comparing expenditures and the results of production. If, as before, the majority of prices are established by the central agencies and not according to agreement between the manufacturer and the recipient, the dictatorship of the former will not disappear, and the unjustified sky-rocketing of prices will continue. Many enterprises will think that they are on self-financing when in fact the source of their financing is not their real contribution, but unearned income.

It is also necessary to improve the internal calculated prices according to which the Ministry of Railways divides up earnings among the railroads, divisions, and enterprises. As long as the unjustified differences in the profitability of the railroads and divisions which form existing calculated prices remain, profit cannot be a reliable point of reference.

Today the reason for the dictatorship of the producer over the consumer is not only the shortage of goods and services, but also unjustified prices and rates. Wages in the country and passenger turnover on rail transportation more than doubled during the period of 1960-1985 alone. But the rates for passenger travel have remained unchanged since time immemorial. For instance, it is less expensive for a passenger to travel from Saratov to Moscow than it is to ship an old divan to a suburban dacha in a truck. The lack of regularity in the rates for passenger travel has a negative effect on the quality of service in the railway stations and in the trains.

One cannot really speak about self-financing if all the material resources are distributed according to funding. There are times when the enterprise has plenty of money in its account but it cannot purchase anything without

funds. Frequently it is necessary to operate according to the principle of in-kind business—"I will give you a wheel if you will give me a hood."

The new economic mechanism envisions free sale of materials, spare parts, and even fixed capital under agreements with the suppliers and supply agencies and through wholesale trade.

Up to this point responsibility "along the vertical," to one's superiors, has prevailed in the management system. An important element is self-financing is the growth of "horizontal" responsibility—to the suppliers, cargo shippers, passengers, and partners—for the fulfillment of contracts and the quality of products and services. With self-financing the enterprises will be forced to look for new technical equipment and pay for it with money they have earned, and the managers will be responsible to their collectives for its utilization.

It takes a certain amount of time actually to change over to self-financing. Enterprises that have old technical equipment are given opportunities to modernize production, and those operating at a loss are given deadlines for reducing their dependence on subsidies.

Self-financing will obviously have its own specific features in rail transportation. The fact is that rail transportation is a unified conveyor, and the completed product is basically realized only as a part of the whole. And each enterprise, railroad division, and even railroad performs only certain technological operations on this conveyor. Their "product" does not have the properties of goods, which means it is paid for and evaluated not by the consumer, but by the higher agency, and these are not the same thing.

Self-financing and complete cost accounting require considerable managerial and economic separation of the enterprise, and this is not always possible in rail transportation. Let us say the line enterprises all together cannot make more than the division as a whole, and all the divisions taken together cannot make more than the entire railroad does. As they say, you cannot squeeze blood out of a turnip. And therefore it would be inexpedient, in our view, to organize funds for the development of production in line enterprises based only on the results of their work, since it is impossible to "go around" stations and depots that have not earned funds for development.

At the same time it is necessary to enlist the line enterprises in the mobilization of reserves. How is this done? Now each road has a million rubles' worth of unnecessary or surplus fixed capital, materials, and spare parts, and they are not in much of a hurry to get rid of them. With self-financing their slowness will be to their disadvantage, for any surpluses will reduce profits.

Self-financing does not work to the full extent unless it reaches each structural subdivision and each brigade. It is important to evaluate their labor contribution precisely and to coordinate work indicators more closely not only with wages and bonuses, but also with the annual remuneration, the allotment of passes to recreation centers, orders for apartments, places in kindergartens, and so forth. Moreover, the indicators of the shops and brigades should be simple and comprehensible.

Many people are concerned about the readiness of the personnel to work under the conditions of complete cost accounting and self-financing. In the words of the well-known economist P. Bunich, the economy itself generates personnel who are worthy of it. It has now developed "executive gophers." And when the conditions for the manager are dictated not by orders "from above," but by the economy, the necessary personnel will also appear.

In essence each family lives according to principles of complete cost accounting and self-financing. The most

backward worker knows as well as the academician how to dispose of his income, when to buy bread and when to buy an umbrella. The whole problem is that at the level of the enterprises many simple issues are made too confusing. And they are made confusing by orders and instructions. They have also largely been the cause of the economic helplessness of many managers who have become accustomed to living by orders from above.

Self-financing requires serious psychological restructuring. Each of us must be aware that the time of dependence has passed, the time when the state took responsibility for feeding out of the common pot everyone who cried, "Give, give!" With self-financing, everyone receives only what he has earned—according to his labor.

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